

Cradle to grave  
Funding welfare  
around the world  
Page 14

Green shoots  
Signs of revival  
in France's economy  
Page 2

Today's surveys  
Morocco  
Section III  
Dubai  
Section IV

# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY NOVEMBER 3 1993

D8523A

## Leading indicators show US economy gaining strength

New government economic data showed the US economy to be gaining strength, leading weight to predictions of solid growth in the next two quarters. The Commerce Department's index of leading economic indicators showed a rise of 0.5 per cent in September after a 0.9 per cent gain in August. At the same time, the Commerce Department said sales of new homes rose by 21 per cent in September to their highest level in seven years. Page 16

**Fifth TV network planned:** Media companies Time Warner and Tribune announced they were joining forces to launch a fifth US prime time television network - in direct competition with Paramount Communications and Chris-Craft Industries, which also unveiled plans for a network last week. Page 17

**Rabin faces setbacks:** Israelis voted across the country for new municipal councils amid signs that the Labour party of prime minister Yitzhak Rabin was heading for an electoral setback in Jerusalem but some successes elsewhere, in the first test of public opinion since the signing of the Israeli-Palestinian peace agreement. Page 7; Palestinians suspend talks. Page 7

**Hongkong Telecom plans to cash in:** on its existing telecommunications system by setting up a cable TV and video-on-demand service. The move comes two days after the launch of Wharf Holding's HK35bn (US\$47m) cable television network for the colony. Page 21

**Pravda returns to the streets**

"We're back", said the headline over the front-page editorial in yesterday's Pravda (left). After a month's ban, the Soviet Union's most famous paper, founded on May 5, 1912, by Lenin, is out again. But the paper that was once required reading for 20m Soviet communists must now compete in a raucous marketplace of publications in which its pre-ban circulation of just under 500,000 will be hard to maintain. Page 2; Yeltsin castigates ministers on reform. Page 3; Rough zone faces more breakaway pressure. Page 3

**Tax rises signalled:** UK prime minister John Major gave the clearest signal yet that his government is planning further tax increases to the November 30 Budget. Page 10

**BCCI compensation renews:** Liquidators to the collapsed Bank of Credit and Commerce International want to negotiate a higher contribution than the originally negotiated \$1.7m for creditors from the government of Abu Dhabi, the majority shareholder in the bank. Page 16

**MEPC, UK's second largest property company,** is doubling its exposure to the US property market by paying \$1.8bn (£70m) for American Property Trust, a unit trust that owns two shopping malls in the US. Page 17

**Serb-Croatian talks:** Officials from Croatia and the Serb-held Krajina enclave held secret "Palestinian-style" talks in Norway aimed at agreeing a truce, diplomats said. Page 3

**Kilmarc, second-biggest US retailer,** is selling most of its loss-making Pace Membership Warehouse clubs to rival retailer Wal-Mart Stores. Page 20

**Renault and Volvo said they would launch** a concerted campaign to defuse mounting shareholder opposition to their proposed merger after the Swedish group was forced to postpone a vote to approve the deal. Page 17; Volvo and Renault paper over the cracks. Page 18

**Warning on debt:** Kenyan finance minister Musalia Mudavadi warned that the country might have to reschedule its \$70m external debt because of an accumulation of \$700m in arrears resulting from the suspension of foreign aid. Page 6

**Proton Cars Europe, an Anglo-Malaysian joint venture** through which the Proton, Malaysia's national car, will be marketed in continental Europe from the middle of next year, was formalised in Kuala Lumpur. Page 8

**Ruling party 'set for win':** New Zealand's ruling National party appears increasingly likely to win Saturday's general election, aided by a surprising late run from the third-ranking Alliance, according to the last national opinion poll to be conducted before the election. Page 6

STOCK MARKET INDICES			
FT-SE 100	3161.4	(-0.3)	New York Composite
Yield	3.72		
FT-SE Eurozone 100	1382.36	(+7.0)	
FT-AE All-Share	1992.3	(+0.8)	
Nikkei	19,391.24	(-57.0)	
New York Composite	2883.30	(-2.22)	
Dow Jones Ind. Ave.	8675.51	(-1.50)	
S&P Composite	867.51	(-1.50)	
US LUNCHTIME RATES			
Federal Funds	3.1/4		
3-mo T-bill	3.1/8		
Long Bond	107 1/2		
Yield	5.100%		
LONDON MONEY			
3-mo Interbank	5 1/4	(61 1/4)	
Libor 3m	5 1/4	(61 1/4)	
Libor 6m	5 1/4	(61 1/4)	
WORTH SEA OIL (Argus)			
Brent 15-day (Dec)	\$15.91	(18.0)	
Gold			
New York Comex (Jan)	\$364.5	(262.1)	
London	\$361.0	(262.7)	

STERLING			
New York Composite	1.476		
London	1.476		
DM	2.3125	(2.575)	
FF	6.77	(6.78)	
SFR	2.225	(2.225)	
Y	158.25	(158.25)	
E index	80.9	(same)	
DOLLAR			
New York Composite	1.476		
DM	2.3125	(2.575)	
FF	6.77	(6.78)	
SFR	2.225	(2.225)	
Y	158.25	(158.25)	
E index	80.9	(same)	

## De Benedetti returns from holiday to threat of jail

Charges by Rome magistrates in political corruption case speak of 'socially dangerous' Olivetti chairman

By Haig Simonian in Milan

MR Carlo De Benedetti, one of Europe's best-known and wealthiest businessmen, faced the prospect of his first night in jail yesterday after returning to Italy to be interrogated by Rome magistrates investigating political corruption.

A visibly shaken Mr De Benedetti was driven to the capital's Regina Coeli prison after giving himself up to police in Milan. The arrest followed the issue of a warrant at the weekend by Rome magistrates against the Olivetti

chairman, who has been implicated in Italy's 18-month political corruption scandal. Reports suggest that Mr De Benedetti was on holiday outside Italy at the weekend.

Mr De Benedetti's arrival at the jail, where he is likely to be kept for at least 48 hours, was accompanied by chaotic scenes. Attempts at a discreet entry were foiled by a traffic jam, which left his car and a police escort blocked in a narrow alley within sight of the rambling jail, a former convent. The vehicles were immediately engulfed by

photographers jostling to catch a glimpse of the accused. After two rounds of questioning during the day, magistrates indicated they would not decide for at least 48 hours on a legal move by Mr De Benedetti's lawyers to secure his release.

In the formal charge sheet prepared by Ms Maria Cordova, the investigating magistrate in charge of the case, Mr De Benedetti is described as "socially dangerous" and accused of corrupting public officials for the past 10 years.

Until now, Mr De Benedetti

has taken the line of many other senior businessmen caught up in the corruption scandal that kickbacks were paid only after repeated demands by public sector officials and politicians, and were essential for their companies to win business from the state.

That line of defence satisfied Milan magistrates, who interrogated Mr De Benedetti in May. At that time, in a highly embarrassing admission just days after asserting the opposite to Olivetti shareholders at its annual general meeting, Mr De Benedetti

disclosed to Milan magistrates investigating post office corruption that Olivetti had paid bribes.

The case is now being led by magistrates in Rome, who, contrary to the decision of their Milan colleagues, have sought Mr De Benedetti's arrest.

The Rome magistrates say new evidence has come to light, suggesting that Mr De Benedetti has held back information and that he is not the innocent victim of co-opting public sector officials, as he claimed.

According to widely leaked

comments in the press, the Rome judges argue Mr De Benedetti himself sought to corrupt officials. They claim to have unearthed new evidence that the kickbacks stretch back much further than Mr De Benedetti has admitted and that the equipment sold to the post office was overpriced and outdated. Olivetti and Mr De Benedetti's lawyers have strenuously denied such claims.

However, his incarceration has once again highlighted differences between Milan and Rome

Continued on Page 16

## Bavaria's PM exposes split on European union

By Christian Peal in Bonn

SERIOUS differences have emerged in Germany's governing coalition over European integration within a day of the Maastricht treaty on European union coming into force.

Leading foreign policy spokesmen in the coalition yesterday denounced the views of Mr Edmund Stoiber, Bavaria's prime minister, who said the idea of Europe as a federal state was finished.

Mr Stoiber is the most powerful political figure in the Bavarian-based Christian Social Union (CSU), sister party of Chancellor Helmut Kohl's Christian Democratic Union (CDU) in the coalition. His outburst is likely to be a serious embarrassment for his party leader, Mr Theo Waigel, the finance minister and a co-signatory of the Maastricht treaty.

In a hard-hitting interview with the Süddeutsche Zeitung, Munich's main newspaper, Mr Stoiber called for the integration process to be slowed. He implied that Mr Kohl's passionate commitment to European union was out of date.

"We are no longer striving for a European federal state," he said. "Europe is more than the European Community. I want a simple confederation. That means that the nation states maintain their dominant role, at least as far as internal matters are concerned."

The danger of Mr Stoiber's views for the ruling coalition is that they undoubtedly reflect growing doubts in the German population. Those doubts are likely to see defections at next year's European elections to the far-right parties such as the Republicans, who openly exploit anti-European sentiment.

Among rank-and-file members of the CSU and the CDU there is a growing feeling that Mr Kohl's passionate commitment to Europe may be a vote-loser.

In a comprehensive opinion



French and German finance ministers Edmund Alphandery (left) and Theo Waigel meet in Berlin with, in the background, their central bank heads Jean-Claude Trichet (left) and Hans Tietmeyer. Page 16

survey published yesterday by the interior ministry, only 18 per cent of west Germans and 12 per cent of east Germans said they could see real advantages for the country in EC membership. A majority believed advantages and disadvantages were equally balanced.

On the other hand, most voters still believed that most difficulties - with the important exception of employment policy - could best be resolved at European level.

Mr Stoiber's ideas were criticised sharply by Mr Peter Kitzmann, EC spokesman for the CDU in the German parliament. He said they went against an agreed CDU and CSU policy paper agreed only last week and

could be explained only in terms of provincial Bavarian politics. He was referring to the threat of a rise in support for the far-right Republicans in the state, campaigning on an overtly anti-European platform.

Mr Kohl issued a statement reiterating his European convictions, although he too stopped short of defining Europe as a federal state.

The chancellor welcomed the decision at last week's EC summit in Brussels to place the future European monetary institute, and later the European central bank, in Frankfurt. He insisted, however, that strict maintenance of the economic convergence criteria was an absolute precondition for the intro-

duction of a single currency. The entire German political establishment, overwhelmingly pro-European, is acutely conscious of growing doubts among German voters over European integration.

## Italian steel group wins right to buy Ekostahl

By Judy Dempsey in Berlin

THE Treuhand privatisation agency has granted sole negotiating rights to Riva, the Italian steel group, to buy Ekostahl, eastern Germany's largest steel mill, against strong competition from German manufacturers.

However, the European Commission will need to be convinced that the Riva plan for Ekostahl will not lead to more overcapacity in the German steel industry, that its investments contain no hidden subsidies and that its plan is economically viable.

Riva is expected to submit its proposals to the Commission this week, and Brussels should then recommend its findings to the Council of Ministers on November 12.

Under the plan, Riva, the Milan-based privately owned company, will buy 60 per cent of Ekostahl, while Treuhand will hold the remaining 40 per cent stake. Together, they will invest DM1.2bn (\$740m) in building a hot-rolling mill, the equivalent of a mini-mill, with an annual capacity of about 900,000 tonnes.

Riva will also guarantee 3,600 jobs, of which 1,700 will be employed at the steel mill before 1996. Ekostahl employed over 12,000 workers, most of whom live in Eisenhüttenstadt, Brandenburg, close to the Polish border. The mill was producing more than 2.1m tonnes a year.

Mr Hans Krämer, a board member of the Treuhand, said yesterday that the Riva plan took precedent over its competitors because "it would make Ekostahl economically viable and competitive". Ekostahl is running annual losses of more than DM100m on a turnover of DM1bn.

Treuhand said: "We hope the EC will accept the plan because Riva's 60 per cent stake is private capital." The agency will use its 40 per cent stake to modernise the mill. It is unclear if that stake will be sold once the restructuring and modernisation plans are completed in the next five years.

But Mr Rupprecht Vondran, president of the German Steel Federation, said in a statement that the Treuhand's decision "was highly problematical" and it would add to pressures on overcapacity in the industry.

Riva's German competitors, which included a consortium led by Thyssen and Preussag, and Hamburger Stahlwerke, had rejected the idea of building a modern hot-rolling mill, largely because they did not want another competitor entering the steel sector, or to increase the country's annual capacity.

Thyssen and Preussag had offered to buy 50 per cent of Ekostahl's cold-rolling mill and close down the blast furnace within the next three years.

German output down, Page 3

## Daimler-Benz chairman hints at reduced dividend for 1993

By Christopher Parkes in Frankfurt

DAIMLER-BENZ, Germany's largest industrial group, has responded to mounting discontent among its workforce with a warning that it may reduce its dividend for 1993.

Mr Eberhard Reuter, group chairman, said in a radio interview that while the company would try to avoid "bitter disappointments" for shareholders, employees could not be expected to be the only people to make sacrifices.

The prospect of a dividend cut was raised despite the company's claims for most of this year that it would try to hold the pay-out at last year's DM13 - drawing on reserves if necessary.

Daimler, embracing Mercedes-Benz, AEG electrical engineering and Deutsche Aerospace, has

recently provoked anger among its workers with plans to extend an already heavy job cuts programme. The planned closure of six Deutsche Aerospace factories, service and logistics centres led to widespread labour unrest.

All operating divisions are expected to make heavy losses this year, and the final result will be worsened by a DM1.5bn (\$895m) charge to cover the costs of lay-offs and rationalisation.

Daimler, reporting for the first time according to US accounting rules, made a net loss of DM949m in the first half of this year compared with a net profit of DM966m in the same period last year.

The group has ample reserves, including more than DM8bn in appropriated retained earnings revealed in connection with its recent listing on the New York Stock Exchange. Markets had

been led to believe these would be used to maintain the dividend, bolstering the group's attractions in advance of a rights issue planned for next year.

However, it appears the board has now decided an unchanged payout would be inappropriate while 44,000 jobs were being cut.

Analysts suggested a reduction to DM10 would be "psychologically" suitable while anything less would be cosmetic.

After falling in early Frankfurt trading, Daimler shares recovered to close DM4.5 higher at DM7.63. Even so they lagged well behind the blue-chip Dax index which closed at a new record of 2,685.58, and the day's gain was eroded in after-hours trading.

Lex, Page 16  
Car chiefs try to defuse opposition, Page 17  
Covering the cracks, Page 18

Mr. Graham Bell. Stop.

About your telephone invention. Stop.

It'll never work. Stop.

Won't back it. Stop.

Take my advice. Stop.

Having the capital to back a big idea is only half the secret.  
Having the vision to spot one is the other half.

**CINVen**

Give us a Bell.

CINVen Ltd is a member of INRO



# None of the Bürgerers wants to be Meister

By Judy Dempsey in Berlin

LESS than a month before local government elections, the eastern German state of Brandenburg is having a spot of bother: attracting candidates. In 300 of the state's 1,700 towns and villages, Germany's political parties cannot find people willing to stand as mayors.

"Who wants to stand for mayor when the councils are virtually bankrupt," one official from the Brandenburg government said yesterday. Most of the city and town councils in

eastern Germany are running budget deficits as high as 70 per cent. This means that any promises by prospective mayors about opening libraries, kindergartens, or building swimming pools, are sheer flights of fancy.

But it is not only the councils' financial state which provides a disincentive to any prospective candidate. Brandenburg, led by Mr Manfred Stolpe, is the only eastern state in the hands of the opposition Social Democratic party (SPD). The established parties all admit that they are finding it difficult to create local

elites in the five eastern states. For 40 years, eastern Germans were "politicised" to the extent that they had to participate in a political system ranging from waving the Red Flag to joining the Youth Movement. "It takes time to overcome a system in which political participation was compulsory," explained Mr Wolfgang Thierse, an SPD member of the Bundestag, or Lower House, who represents a constituency in east Berlin.

Voters in eastern Germany have also become rapidly disappointed with their new politicians, as the initial

euphoria of unification has collapsed with the mass unemployment that it has brought to some regions. There is also a deeper sense of distrust. The electorate in Brandenburg has seen how Mr Stolpe, who before 1989 had close connections with the Lutheran Church and had tried to defend them, is now pilloried for his alleged connections with the Stasi, the former state security apparatus under the communist regime. "You need to be strong to tolerate non-stop scrutiny of your past," said an official from Potsdam, the capital of

Brandenburg. Ms Regine Hildebrandt, Brandenburg's minister for labour, health and women, says she can understand these anxieties. However, she insists: "We must pull the people out of their lethargy. They just can't sit back and let other people make decisions for them."

"That's what it was like in the former days. They must get up and become politically engaged and let their voices be heard, otherwise eastern Germany will be a political wilderness," she added.

## German output marked down

By Christopher Parkes in Frankfurt

WEST GERMAN industrial output fell by a provisional 2 per cent in September, according to price and seasonally-adjusted figures published by the economics ministry yesterday.

The ministry, which said it expected the final figure to be adjusted upwards by a "good two points" later, noted that the result had been decisively affected by a 4.5 per cent drop in manufacturing production.

Total industrial output, which includes mining, construction and energy, stood 7.6 per cent lower than a year earlier, although the ministry's statement suggested the final outcome would be a year-on-year decline of around 5.5 per cent. This would be unchanged from August, when production increased by a revised 2.2 per cent.

The statistics support other indications that the worst of the recession is past, although heavy industry in particular is still struggling and consumer goods production was also markedly lower than it was a month earlier.

According to yesterday's figures, combined output in August and September was 0.5 per cent higher than in the previous two months and 0.3 per cent lower than in the same period a year earlier.

According to this two-month measure, construction - up 2.4 per cent - was the only sector showing any year-on-year improvement. Production of investment goods was 11 per cent lower.

According to the Federation of German Industry (BDI), industrial output will decline further, although only marginally, in the coming months. Prospects for a reversal of the trend seem dim, it says in its latest monthly report.

Consumer demand will expand very slowly. Public demand will remain weak because of spending cuts, and there is little reason to expect a boost to capital spending because of heavy investment in the recent past, the BDI adds.

## Strike ends at Austrian Airlines

PILOTS and cabin crews at Austrian Airlines yesterday voted overwhelmingly to end their strike, which had crippled the national carrier for five days, writes Patrick Blum from Vienna. The decision follows a compromise giving the unions a say in any future restructuring plans.

The militant flight employees' union abandoned its initial demand for the resignation of the management board.

The strike was called in protest at plans to cut the 4,500 workforce by 900 in an effort to trim expected losses of \$250m (\$19m) this year. Services are expected to return to normal today.



Camera work: Silhouetted photographers form a backdrop at Cinecittà studios in Rome where Italian film-maker Federico Fellini lies in state. Marcello Mastroianni and Anita Ekberg, stars of his 1969 classic "La Dolce Vita", were among those who paid their respects.

## French fingers crossed as the economy shows signs of revival

By John Riddling in Paris

FRANCE'S economy minister is cautiously optimistic. Despite the steady rise in unemployment the French economy is beginning to show signs of revival from one of the deepest recessions since the second world war.

"It is clear that take-off has still to take place," says Mr Edouard Balladur, the prime minister, last week. "But it is better to err on the side of caution than be too optimistic."

Such caution is justified by the uncertain prospects for the current quarter. Economists are divided about whether the improved indicators will be repeated or whether they are merely a blip.

Salomon Bros' Mr Mercier believes a double dip recession, with a contraction in the fourth quarter, remains a possibility.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

lumped together because of the relatively quiet holiday period. It rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that production at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have been

## Europe's high-fliers a down to earth lot

By Daniel Green

THE average European business traveller is a family man, often carries his own suitcase, is more inclined to sleep than eat on long-haul flights and occasionally prepared to play computer games on his portable computer.

The portrait is revealed today in a survey by Official Airline Guides, a publisher of airline timetables.

It also records national differences in attitudes to air travel. The French are most inclined to ignore in-flight catering and the British most likely to drink alcohol, and the Germans like to both eat and drink.

Women business travellers, just 7 per cent of the total, are the most industrious. Some 60 per cent say they preferred to work on short-haul flights, compared with 61 per cent of men.

More than a third of all passengers polled did not take out full medical insurance and less than half made sure they had the necessary inoculations against disease.

The British were the most conscientious on inoculations, and Germans the worst.

One in five passengers usually carried condoms, of which most were married men. One in 12 women travelling also carried condoms, the survey found.

Frequent flyer schemes - in which loyalty to an airline is rewarded with points that can be exchanged for free trips - emerge as an important determinant in airline loyalty.

Some 88 per cent of survey respondents were members of such schemes and two thirds of members said that given a choice of carriers on a route they would choose one to whose frequent flyer programme they belonged.

Ironically, the free flights earned from such schemes were of little importance to the frequent traveller. Top of the list of perks conferred by membership of such schemes, nominated by 82 per cent of respondents, is to be given priority in the waiting list for full service.

Their desires are probably the result of the need to make late changes in itineraries: 30 per cent of business travellers said they did this "very frequently".

By contrast, only a minority of travellers had redeemed any frequent flyer points, perhaps not surprising when only 10 per cent said enjoying leisure time was more important than work or family life.

## Call to remove Tapie immunity

A French judge yesterday asked for the parliamentary immunity of the rising number of illegal job-seekers crossing Germany's porous eastern border is pitting companies against each other and unions against politicians.

Meanwhile, as the number of unemployed in western Germany in the sector has risen by 3,000 to 75,122 last year, profits in the construction industry have surged by 5.5 per cent, mostly as a result of growth in the east. Nearly 1,000 new construction companies were registered last year.

For IGbau, the construction industry union, the core of the problem lies in labour exchange agreements signed between Bonn and eastern neighbours in the wake of the fall of the Berlin Wall.

These allow 97,104 people from eastern Europe to work in Germany at any time for specific contracts lasting up to a year. Most are employed in the construction industry.

The unions say this has fostered the growth of middlemen

## Ukraine keeps tight grip on key industries

By Jeff Sorensen in Kiev

UKRAINE yesterday published a presidential decree continuing its state ordering system into 1994 and opening the door for a tightening of control over key industrial sectors.

The decree, signed by President Leonid Kravchuk on October 23, requires agricultural, consumer goods and military enterprises to sell part of their production to the government at state-determined prices.

It dashes hopes that Mr Kravchuk might try introducing market reforms before parliamentary and presidential elections slated for next year.

Of particular concern is the fact that the decree not only obliges state-owned enterprises - comprising most of Ukraine's industry - to satisfy state orders, but also applies to quasi-private companies that rent space and equipment from the government.

Exclusively private companies are not required to comply with state orders. However, the fate of companies that could be privatised next year is unclear. Large-scale privatisation has yet to be initiated in Ukraine.

The exact portion of production to be sold to the government at fixed prices is still to be determined. But the portion will be financed either directly from the state budget or through central bank credits.

While President Kravchuk signed the decree with the intention of "stabilising production" in Ukraine, where gross domestic product is falling at 20 per cent annually, the result is likely to be a further outflow of funds and the continued support of inefficient state enterprises.

Inflation is currently running at about 100 per cent a month with central bank credit doubling every three months. The karbovanets, Ukraine's interim currency, has plummeted over the past three months, losing more than 80 per cent of its value.

## Illegal labour a growth business

Ariane Genillard on Germany's problems with a cheap import

IT IS Sam and Mr Herbert Bots, who heads the task force clamping down on illegal workers at the labour office in Cologne, scans his first construction site of the day in nearby Leverkusen.

"We have never found a clean construction site in the whole region," says Mr Bots. In Leverkusen, as in most cases, a letter from a rival construction company caused the surprise search. Three Polish workers are ordered to lay their tools down a few minutes later, when overdue papers show they are not entitled to be on site.

"Often, we just tell them to stop working. Sometimes, they are put back on buses to eastern Europe," says Mr Bots. More than half a million workers from eastern Europe are believed by trade unions and political organisations to be employed illegally in Germany's construction industry. Gathered in parking lots, they wait to be picked up by employers who are eager to pay less than 25 per cent of a German wage for the same job, says Mr Peter Rack, Albenheim, employed for DM3 (\$1.80) to DM4 (\$2.40) an hour, are the cheapest.

With growing unemployment and bitter price wars for construction contracts, the rising number of illegal job-seekers crossing Germany's porous eastern border is pitting companies against each other and unions against politicians.

Meanwhile, as the number of unemployed in western Germany in the sector has risen by 3,000 to 75,122 last year, profits in the construction industry have surged by 5.5 per cent, mostly as a result of growth in the east. Nearly 1,000 new construction companies were registered last year.

For IGbau, the construction industry union, the core of the problem lies in labour exchange agreements signed between Bonn and eastern neighbours in the wake of the fall of the Berlin Wall.

These allow 97,104 people from eastern Europe to work in Germany at any time for specific contracts lasting up to a year. Most are employed in the construction industry.

The unions say this has fostered the growth of middlemen

from eastern Europe who subcontract their nationals to German companies.

"One middleman gets 30 per cent through a contract. But three days later, he exchanges legal workers against illegal ones. This way he can keep people coming in although they don't have the proper papers," says Mr Hans Haber, spokesman for IGbau.

Aware of the growing abuses, the authorities have been trying to control the problem by targeting companies rather than workers. Since the beginning of the year local officers can check construction sites without search warrants.

IGbau, which wants the labour agreements cancelled and greater protection of the local highly regulated labour market, claims the authorities are deliberately turning a blind eye to the problem. It says the government, which has already asked Poland and the Czech Republic to take back asylum-seekers, is reluctant to apply further pressure.

Pressure on the government has also come from organisations representing small and medium-sized companies squeezed by falling prices for construction contracts.

"We want the government to allow a limited number of eastern European workers per enterprise, depending on the labour force it employs," explains Mr Julius Lovenheim, from the Christian Democrats' small business lobby group.

Talks with the government, which started a year ago, have been fruitless, prompting an IGbau threat to take the government to the constitutional court to introduce tighter wage controls in the workplace.

Meanwhile, some attempts are being made to improve the control on the workers on a construction site. Special passes have recently been issued to facilitate regular check-ups. But fines for illegally employing workers have not been significantly increased.

"We've got caught, the boss says the fines and we come right back. For big employers, the fines are peanuts. They'll make the money back in one month, if you ask me," says one illegal worker before vanishing into the crowd.

## Deutsche Bank prepares to open wide the doors on its past

TOWERING above Frankfurt's financial district are the twin skyscrapers of Deutsche Bank's headquarters. The buildings are made of steel and glass blue reflective glass which is eye-catching but not designed to let anyone look inside.

This lack of transparency has long been a characteristic of the bank, Germany's most powerful financial institution with profits as big as those of its three main competitors combined. Deutsche Bank has been at the heart of German capitalism since shortly after it was founded in 1870, and has always been highly secretive in its dealings with the outside world.

A portion of the veil, however, is set to be lifted. To celebrate the bank's 125th anniversary in two years' time, Deutsche has commissioned a

The secretive institution plans 'no-holds-barred' history, writes David Waller

"no-holds-barred" history of the bank from five leading economic historians, each concentrating on a particular period. The bulk of the material has already been completed and was presented to international scholars in Frankfurt last month. The history itself will be published in German and English in 1995.

The historians, at work on the project since 1988, have more recently been able to draw on the bank's archives for the years 1870-1945. These only became available after German reunification in 1990: before then they were held in the east German city of Potsdam.

With a budget of DM1m (\$400m), the project was initiated

ated by Mr Alfred Herrhausen, the former chief executive of the bank killed by terrorists in 1989. It has the active support of his successor, Mr Hilmar Kopper, who makes a point of finding time amid his frantic schedule to attend the meetings of the committee co-ordinating the project.

According to Prof Manfred Pohl, the bank's in-house historian, the aim is to take the writing of corporate history to new levels of academic excellence. All too often, he says, corporate histories diminish their intellectual authority by their desire to present an unimpeachably positive view of the company in question.

For the Deutsche Bank, as for other German financial and

industrial institutions, there is one area of obvious potential embarrassment when scrutinising the past - collaboration with the Nazi regime in the 1930s and assistance with the war effort in 1939-1945.

Last time the Deutsche Bank published a history, to celebrate its 100th anniversary in 1970, the issue was not confronted. Barely a mention was made of a report by the finance division of the Office of Military Government, United States Finance Division (OMGUS) which described how the bank, in common with other large financial institutions, financed the war effort, facilitated its industrial customers' use of slave labour, expanded its branch network

into the territories occupied by the Wehrmacht, and participated in the Aryanisation of German business.

This time, there will be no fudge: the bank is intending to stare this unpleasant aspect of the past directly in the face. It demonstrated this commitment last month when it held a seminar on the bank's role in financing Unilever Film, Germany's film monopoly in the 1920s and 1930s which developed into a central organ of Goebbels' propaganda machine during the Third Reich.

The company was founded in 1917 at the initiative of Mr Emil Georg von Strauss, a director of the bank, and Deutsche owned a stake in the organisation during the

twenties when it made a made a number of early film classics such as Fritz Lang's "Metropolis". The bank sold out in 1927.

Moreover, says Prof Pohl, the commitment to objectivity has been underscored by the decision to appoint Prof Harold James, an Englishman now at Princeton University, to cover the most sensitive period of 1933-45. Prof James is the official historian of the International Monetary Fund and writes on German affairs.

The OMGUS team reported that Deutsche Bank and Dresdner Bank, Germany's second biggest bank then and now, had too great a concentration of economic power. They recommended that the banks should be wound up and their

senior executives tried as war criminals and barred from taking up positions of responsibility in post-war Germany.

The winding-up did not happen. Broken down into regional organisations by the allies, the banks were reformed in 1947 and soon developed for themselves a central role in post-war capitalism.

Nor did bank personnel find themselves excluded from office, as witnessed by the career of the legendary Mr Hermann Josef Abs, Deutsche's first chief executive after the war. He joined the board of the Deutsche Bank in 1938 and although he was never a member of the Nazi party, and provided personal help to Jewish businessmen and their families

during the war years, he was roundly criticised by the OMGUS investigators.

Mr Abs is today 82 and still able to prosecute his causes with a flavour of the old doggedness - nowadays in the art world rather than in the boardroom. After brief internment after the war, he went on to be one of the chief architects of Germany's economic revival.

The Abs theme is likely to be of special interest to readers of the official history. But the narrative from the more distant past should also provide insight into the mysteries of present-day German capitalism. For example, the chapters covering 1870-1914 and 1914-33 will deal with the bank's role in sponsoring companies such as Siemens, AEG, Deimler-Benz and Mannesmann in their early years. Its links with these companies are still close.

Handwritten signature or mark.



# Yeltsin castigates ministers on reform

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin of Russia yesterday told his government ministers that they were dragging their feet on reforms and ignoring the social needs of the population.

In a stiff rebuke he said that those who took part in the Moscow demonstration a month ago which culminated in armed clashes round the parliament and the TV stations were "not just criminals and bandits, but also desperate people, deprived of benefits and wages."

The Russian president said that a separation of powers embodied in the presidency and a new parliament - to be elected on December 12 - was essential, in spite of what he described as the growing affection of some officials and ministers for an authoritarian system.

It was, he said, "a crude mistake" to be taken to make the need for different levels of authority. "I must tell you, such a practice will not be supported by the president," he said.

Mr Yeltsin said that steps must now be taken to make the rouble convertible "stage by stage," building on its stable rate against the dollar in the past few months. He said, however, that the state must be actively involved in the management of the economy - instancing the need to develop an efficient mechanism of land sales following his decree last week allowing Russians to buy and sell land freely.

Also speaking to the enlarged meeting of the cabinet with regional leaders, Mr Viktor Chernomyrdin, the

## Balladur warns Moscow

France's prime minister, Mr Edouard Balladur, said yesterday that President Boris Yeltsin's Russia had a big role to play in Europe's future but made it clear there should be no retreat from democracy, Ruter reports from Moscow.

Mr Balladur told a Moscow news conference that Mr Yeltsin's leadership "incarnates democratic legitimacy" and France's goodwill would embrace the parliament which emerged from next month's elections.

Mr Balladur was the first western head of government to visit Moscow since Mr Yeltsin used tanks to crush an armed revolt on October 4 in a dramatic showdown with hardline deputies who had blocked his market reforms. The French prime minister used his two-day visit to press his country's initiative for a proposed pact on European security which received backing from the European Community at the summit in Brussels last week.

He said that he had told Mr Yeltsin and the prime minister, Mr Viktor Chernomyrdin, that Russia would be "an essential partner" for the success of this initiative. Mr Balladur was at pains to say nothing that could be construed as interference in the run-up to Russian elections on December 12.

prime minister, said that Russia now had the "blueprint for a market economy" and forecast a slowing of inflation and the fall in production in the coming months.

Figures in a report considered by the ministers yesterday pointed to a continued fall in Russia's gross domestic product, by 11 per cent in the first nine months of 1993 compared with the same period the previous year. Industrial production fell by 17 per cent and capital investment by 10 per cent - while inter-enterprise debt grew to Rb11,300bn and national income fell by 15 per cent - an index of the rapid rise in poverty.

The budget deficit for the year is put at Rb17,000bn, with a fourth quarter deficit of Rb5,500bn - Rb4,500bn of which will be financed by Central Bank borrowing and the remainder by the issuing of

government bonds. Mr Chernomyrdin, however, said "the worst is now over" and inflation - now around 20-25 per cent a month - should come down to 16 per cent by next March and end next year at around 5 per cent. The trade surplus for this year is expected to be around \$21bn, after drastic pruning of imports.

Both the president and the prime minister criticised - without naming names - members of the cabinet who are now engaged in election campaigns as leaders of their various parties. Mr Chernomyrdin brusquely denying any interest in politics and any intention to support one or other party, said that ministers wishing to campaign should either do it in their free time or - like Mr Dergel Shakhrai, the deputy prime minister - leave the government to work the campaign trail full time.

# Pravda returns to the struggle

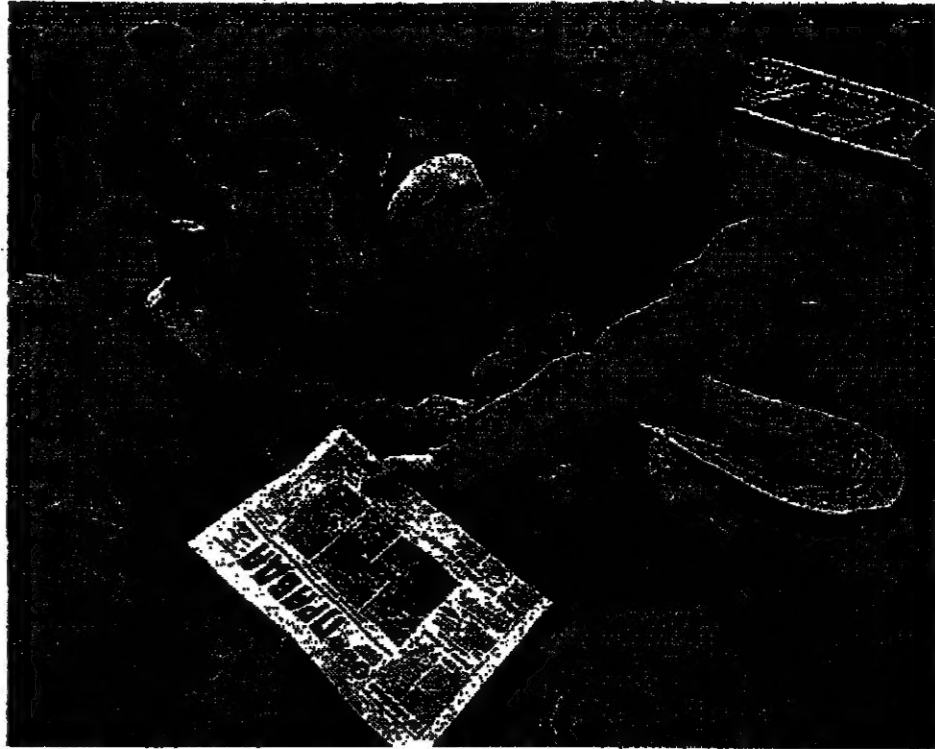
By John Lloyd

"WE'RE BACK," said the headline over the front-page editorial in Pravda yesterday. After a month's ban, the Soviet Union's most famous paper, founded on May 5, 1912, by Lenin, is out again - and, says the leader: "We're not changing our convictions."

If not its convictions, the paper has at least changed its tactics. Once absolutely required reading for 20m Soviet communists, it must now compete in a raucous marketplace of publications in which its pre-ban circulation of just under 500,000 will be hard to maintain.

It has had to compromise with the authorities to get back on the streets. The former, hardline editor, Mr Gennady Seleznev, has been sent upstairs to the editorial board: in his place his former deputy and one-time New York correspondent, Mr Viktor Linnik - a clever man of 49 who has in the past year attended seminars in Moscow on press freedom and who said flatly yesterday: "We are against extremism and violence of all kinds - on the left as well as on the right."

Nothing illustrates that better than its attitude to the parliamentary elections called for December 12. In a front-page article, Mr Viktor Trushkov says that boycotting the elec-



Muscovites gather in the streets to buy Pravda as it went on sale again yesterday after its ban.

tions in the hope that the required number of voters would not turn out was rendered futile by the presidential decree establishing 26 per cent as the minimum turnout, down from the previous 50 per cent.

"This means that for opposi-

tion supporters to boycott these elections would have only one result: the federal assembly (parliament) would be absolutely in the pocket (of the president), and it would have no deputies committed to defending the interests of the

working man. No, we must go to the elections in December." Pravda, switching editors and eschewing extremes, is the only one of the banned papers to return: the nationalist (and more extreme) papers Sovetskaya Rossiya (daily) and

Den (weekly) are still banned, as is the popular "900 Seconds" television programme presented by Alexander Novgorov - who has turned up among the leading candidates of the right-wing Constitutional Democratic party. While the main Communist party will take part in the elections, many of the smaller Leninist and Communist groups, some of them still banned, have refused.

Pravda's reappearance has many ironies - none sharper than its eager endorsement of the complaints of foreign human rights organisations against the Russian government's bans, organisations it would, in its heyday, have dismissed as interfering in the internal affairs of the Soviet Union.

A letter from Mr Jiri Leber of the New York-based Helsinki Watch Committee, expressing concern over the press bans, is displayed on the front page - and in the foreign section, correspondents from Paris, Vienna and Washington report on the support for Pravda's freedom to publish.

With only four (broadsheet) pages, a restricted circulation, short of funds and newsprint and with Lenin no longer the draw he was, Pravda has returned not just to the streets, but to its origins in the opposition and in struggle. But - for now - within constitutional limits.

# Rouble zone faces more breakaway pressure

By Gillian Tett in Moscow

THE disintegration of the Russian rouble zone appeared to be gathering pace yesterday after officials in Uzbekistan said they intended to issue a joint currency with Kazakhstan in an attempt to merge their economies and break away from Moscow's fiscal con-

trol. Mr Fakhtiyar Khamidov, Uzbek vice-premier, speaking in Tashkent, said that talks with Moscow to create a new rouble zone were now "deadlocked," forcing the republic to develop its own currency.

"The conditions of Russia are enslaving. Uzbekistan and Kazakhstan are now planning to introduce a new cur-

rency," Mr Zafar Ruziev, foreign ministry spokesman, was quoted as saying.

The Kazakh government in Alma Ata yesterday denied that any concrete plans had been agreed with Uzbekistan for a new currency.

But in the wake of a bitter attack by Mr Nursulton Nazarbayev, Kazakh president, on Russia's rouble policy,

the republic appears to be moving closer to breaking away from the rouble zone.

Earlier this week Turkmenistan, the gas-rich central Asian republic, became the fifth republic to formally issue its own currency, joining the Baltic states and Kyrgyzstan which have broken out of the rouble zone over the last year.

## Croats and Serbs talk in Norway

By Laura Silber in Belgrade

CROAT authorities and Serb separatists have been holding secret talks in Norway on brokering a ceasefire, a Serb official revealed yesterday.

Mr Hrvoje Sarinic, Croatian security chief, headed the Croatian delegation, and met Mr Goran Hadzic, "president" of Krajina, and his "foreign minister", Mr Slobodan Jarcevic, at the three-day talks, said diplomats.

Observers immediately began drawing parallels between the clandestine negotiations and the Palestinian-Israeli talks held in Norwegian farmhouses, which ended in a milestone peace agreement.

But Serb officials yesterday said the two sides remained far apart despite leaked reports that Mr Franjo Tudjman, the president of Croatia, would meet Mr Slobodan Milosevic, his Serbian counterpart, in Oslo later this week.

"We can gain absolutely nothing, because at this time neither side is willing to back down," said Mr Branko Filipovic, "foreign ministry" official of Krajina, the self-styled Serb state which covers one-third of Croatia, cutting the republic in half and isolating Croatia's southern Dalmatian coast from the country's heartland.

"Our [Serb] participation can be treated as a bilateral meeting between two sovereign states," said Mr Filipovic.

Lord Owen and Mr Thorvald Stoltenberg, the international mediators, have recently stressed that the resolution of the Serbo-Croat conflict is a pre-requisite to ending the war in Bosnia.

## Get-rich game nears end in Transylvania

By Virginia Marsh in Bucharest

ION Popescu is something of an exception in the Transylvanian city of Cluj, home of Caritas, the Romanian money-spinning scheme which has drawn in more than 3m investors and created a new class of Lei millionaires in the town.

"I sincerely hope Caritas collapses and soon. It's a terrible thing. I'm a private businessman and I can't get anyone to work for me. People here have so much money they won't work for normal salaries any more," he says.

Mr Popescu may not have long to wait.

For two days this week, Caritas, which promises investors a seven-fold return on their money in around 100 days, failed to pay out to depositors for the second time in a month.

These days, not even the miners, who earn on average four times as much as other Romanian workers, are sinking much cash in the scheme. In the summer it attracted tens of thousands of new investors each week.

Business is already slack in the mining town of Petrosani, some 300 km south of Cluj, where Caritas's owner, Mr Ioan Stoica, last week opened a new branch with the help of Mr Miron Cosma, the miners' leader who led his men on anti-reform riots in Bucharest in 1990 and 1991.

Most in Cluj say they hope the scheme will continue but few seem worried by the prospect of its imminent collapse.

A local lawyer says: "The town is booming. People here are content. They have already made a lot of money out of Caritas because they started

playing last year." Analysts attribute the popularity of the game to Romania's deteriorating economic situation which has caused real incomes to drop by 40 per cent since 1989 and annual inflation to surge to nearly 300 per cent.

Others say Caritas is a product of incomplete reforms in a country where conservative politicians have held up the creation of a stockmarket or a modern banking system.

Many fear a backlash against reform and market initiatives once the inevitable collapse comes. The country's leaders explain their failure to act on inadequate regulations.

But opposition politicians say the government, a weak left-wing minority, has not intervened for fear of losing the support of the Romanian National Unity party (RNUP), upon which it relies to stay in power. Mr Gheorghe Funar, the mayor of Cluj, is also RNUP president and one of Caritas's most enthusiastic backers. He has often appeared with Mr Stoica in recent weeks to drum up support for the flagging scheme. The prosperity that Caritas has brought many to Transylvania, Romania's ethnically-mixed western province, has boosted the mayor's popularity.

However, Mr Funar's political opponents hope the scheme's collapse will provide a backlash against the mayor, for through Caritas Mr Funar has shown he can provide solutions for the people of the province. "People there have already been enriched by the scheme. It's the laggards in the rest of the country who put their money in later who will suffer."

Global Performance

Initial Public Offerings

YPF  
(Argentina's privatized oil company)

\$3.04 billion

Largest privatization  
ever in Latin America\*

CS FIRST BOSTON

One Firm One Name One Mission

AUSTRALIA

### Investment Opportunity

#### SULPHONATION PLANT

For Sale by Tender as a GOING CONCERN

Under instructions from our client owing to a rationalisation of their manufacturing activities

Outstanding features include:

- Modern sulphonation plant commissioned in 1990. Featuring the BALESTRA SOGIA falling film reactor unit.
- Approx 2.8 tonnes p/hr sulphonic acid nominal capacity.
- On going requirement by vendor for product.
- Export & new market potential.
- Large freehold land parcel and facilities with room for expansion.
- Located 60 minutes from the Sydney Central Business District. Superb road & rail access.

Complete details available on a confidential basis from the agents to serious purchasers only

ENQUIRIES: John W. Lefevre Tel: 61 2 789 6211, Fax: 61 2 718 2243.

TENDERS CLOSE: 2pm Friday 7th January 1994.

NOTES: The highest or any tender not necessarily accepted.

PICKLES AUCTIONS PTY LTD

54 Kingsgrove Road, Belfair NSW 2112 Australia

THE FINANCIAL TIMES  
Published by The Financial Times  
(Europe) GmbH, Nibelungenplatz 3,  
60318 Frankfurt am Main, Germany.  
Telephone ++49 69 156 350, Fax ++49  
69 156 481, Telex 416193. Represented  
by Edward Hugo, Managing Director.  
Printer: DVM Druck-Vertrieb und  
Marketing GmbH, Adenau-Rheinstraße  
34, 65363 Nea-Isenburg (owned  
by Hünnefeld International).  
Responsible Editor: Richard Lambert,  
c/o The Financial Times Limited,  
London SE1 9HL, UK. Shareholders  
of the Financial Times (Europe) GmbH  
are: The Financial Times (Europe) Ltd,  
London and F.T. (Germany)  
Advertising Ltd, London. Shareholder  
of the above mentioned two companies  
is: The Financial Times Limited,  
Number One Southwark Bridge,  
London SE1 9HL. The Company is  
incorporated under the laws of England  
and Wales. Chairman: D.C.M. Bell.

FRANCE  
Publishing Director: J. Rolly, 165 Rue  
de Rivoli, F-75004 Paris Cedex 01.  
Telephone (01) 4297-0621, Fax (01)  
4297-0625. Printer: S.A. Nord Schaefer,  
15201 Rue de Cécile, F-93100 Rosbosc  
Cedex 1. Editor: Richard Lambert.  
ISSN: ISSN 1148-2753. Commission  
Paritaire No 678863.

DENMARK  
Financial Times (Scandinavia) Ltd,  
Vimmelskåftet 42A, DK-1161  
Copenhagen K, Telephone 33 13 44 41,  
Fax 33 93 53 35.

J.P. 11/03/93



# Violence and disillusionment mark Colombia polls

Politicians duck bombs and bullets while they battle to beat distrust among voters over corruption, writes Sarita Kendall

**P**OLITICS is not a safe profession in Colombia. Yesterday the campaign offices of the governing Liberal party's presidential candidate were dynamited, injuring one person. Last month, guerrillas blew up an electoral registry office and a political party campaign office.

Over the last five years, five of the top six presidential candidates in next May's presidential election have variously survived shootings, a kidnap, a grenade attack and bombings. Politicians acknowledge that it is too dangerous to campaign in some parts of the country.

On top of this, Colombia's 14 presidential contenders are having a difficult time overcoming disillusionment with party politics and corrupt political practices.

So many candidates might be expected to produce wide-ranging programmes and choice, but the early stages of the campaign have been marked by moral skirmishes rather than debates about violence, social problems or the economy.

The 1994 electoral calendar is a heavy one for apathetic voters: congressional elections take place in March and Colombians will vote for president in May. If no candidate polls more than half the ballots there will be a run-off between the winner and runner-up. Then local government elections - which excite much greater enthusiasm now that budgets and responsibilities have been decentralised - follow in October.

The two candidates leading the opinion polls by a big margin - Mr

Andres Pastrana of the Conservative New Democratic Force and Mr Ernesto Samper of the Liberal party - will probably fight it out in the second round of the election. Both are under 50 years, firmly entrenched in the political establishment and neither would represent an abrupt change of direction.

Mr Pastrana, the son of a former Conservative president, was the first elected mayor of Bogotá and is now a senator. Keeping his distance from the campaign scramble - he has yet formally to declare his candidacy - appears to have done Mr Pastrana's popularity no harm, though some commentators are becoming impatient with his reticence.

Although Mr Samper was minister for economic development at the

beginning of President Cesar Gaviria's government he has criticised the speed of the liberalisation process. His emphasis on jobs and social spending does not, however, imply an about-turn in economic policy.

As a strong party man Mr Samper has had the time to build up a big parliamentary and regional following. But in a country where a third of the mayors and more than 15 congressmen are being investigated for irregularities ranging from misuse of public funds to collaboration with the guerrillas, this is not always an advantage.

A few weeks ago Mr Samper used the "ethical code" developed for his campaign to expel three congressmen from his movement because they had attended a political meet-

ing with someone accused of drug trafficking.

Despite much talk about clean campaigns and the vetting of contributions, the incident took most people by surprise. Not only did Mr Samper risk losing some 50,000 votes controlled by the congressmen but, politicians asked anxiously, where would such purges end?

On the outskirts of Bogotá, in the poorer barrios of Usme, people are sceptical about candidates and voting procedures. Neglected by the local administration, the inhabitants took matters into their hands and organised a strike in June. As a result, some teachers have been appointed, water pipes put in and pot-holes filled.

"Last time about 20 per cent of the potential electorate voted. There are two positions - either people vote because they are offered housing subsidies or school places for their children or some other bribe. Or they don't vote at all, because there's no real difference between the candidates," said Mr Nelson Cruz, a founder of the Usme civil movement.

The murders in the last campaign of two left-wing presidential candidates and Senator Luis Carlos Galán, who was expected to win the election, fuelled distrust of the process. At least four candidates are standing on largely anti-corruption platforms.

General Miguel Maza, former head of the secret police, is one of them. "People want change. ... Drug trafficking has brought a dis-

ortion of moral values. We have to fight this. The surrenders and negotiated sentences have been a failure."

Like most of the candidates, Gen Maza is against the legalisation of drug use or trade. But the issue is being debated more frequently as successive administrations fail to find other solutions and as the infiltration of key state institutions by traffickers is exposed.

Without doubt, the biggest disaster of President Gaviria's four-year term was the escape from jail last year of Pablo Escobar, the leader of the Medellín cocaine cartel. Any candidate with an outside chance must be hoping that the drug chief will be dead or back in prison before the new presidential term begins next August.

## States win approval for welfare reform

By George Graham in Washington

THE US administration has given the go-ahead for pilot plans to reform welfare benefits in Wisconsin and Georgia that could serve as experiments for the broader overhaul of the welfare system promised by President Bill Clinton.

The Wisconsin plan would

cut off cash payments under the principal welfare programme, known as Aid to Families with Dependent Children, after two years, although it would continue to provide food stamps and health coverage.

The pilot scheme will be started in two counties in 1995. Republican Governor Tommy Thompson has made Wisconsin a pioneer in welfare

reform, with experiments such as Schoolfare, cutting payments to teenage mothers who do not go to school.

In Georgia, the state does not plan a time limit on benefits, but wants to reduce welfare payments to able-bodied adults who refuse offers of work and deny increases in payments to families on long-term welfare who have more children.

The federal government, which has to grant waivers to states wishing to depart from normal US welfare rules, is also considering proposals from Florida and Vermont for time limits on welfare benefits, and White House officials have said that a two-year limit will be a central feature of Mr Clinton's own welfare reform plans.

The promise to "end welfare as we know it" was an important theme in Mr Clinton's election campaign. Although he named a welfare reform task force in June, the reform has been held up by delays in passing the budget and is now expected to be delayed until the ambitious reform of the healthcare system has passed Congress.

## Clinton presses Congress for gun controls

PRESIDENT Bill Clinton pressed the US Congress yesterday to impose a waiting period before handgun purchases as "the first step" to controlling violent crime, AP reports from Washington.

"I think it's going to be very difficult for the Congress to justify continued inaction on

what millions of Americans believe is the No. 1 problem in their lives," the president said. He appeared with Mr Jim Brady, former White House press secretary to President Ronald Reagan.

Mr Brady and his wife, Sarah, are leaders of Handgun Control, an anti-gun lobbying

group. He was badly wounded in the 1981 assassination attempt against Mr Reagan.

Mr Brady's espousal of handgun controls had left him estranged from the Republican administrations of Mr Reagan and Mr George Bush. He was welcomed back to the Oval Office he once frequented to

help Mr Clinton build support for the Brady Bill, which calls for a waiting period on handgun purchases of five business days, when a background check would be required.

Mr Clinton predicted the bill would pass this year. It passed a House Judiciary subcommittee last week.

Mr Clinton hoped the full judiciary committee would complete work on it this week. He said that it would be brought up in the Senate as a separate issue, apart from a crime bill, "so that no one will be able to hide behind other issues and try to find clever ways to filibuster it".

## Pained Senate weighs harassment charges

By Jurek Martin in Washington

FOR the second day running Senator Bob Packwood, the Republican from Oregon, yesterday tried to persuade his colleagues in the Senate to accept a compromise whereby he would hand over some, but not all, of his possibly incriminating private diaries.

The Senate ethics committee is seeking approval for a subpoena for all the diaries, dating back to 1989, as part of its investigation into charges that Mr Packwood sexually harassed more than 25 women. Senator Richard Bryan of Nevada, Democratic chairman

of the committee, announced last week that extracts perused so far suggested Mr Packwood may also have engaged in other improper but unspecified activities.

Mr Packwood's compromise would make available all the diaries relevant to the harassment accusations and to the additional charge, reported in an Oregon newspaper over the weekend, that he tried to persuade lobbyists to hire his former wife. The rest would be turned over to an independent arbiter who would pass on what he considered relevant. Far more notable than the substance of Mr Packwood's

offers has been the intense embarrassment, even pain, that his performance on the Senate floor has caused his saddened and grim colleagues. Leaving constantly to his feet to interject, sometimes incoherently and contradictorily, he has given the appearance of a man at the end of his emotional tether.

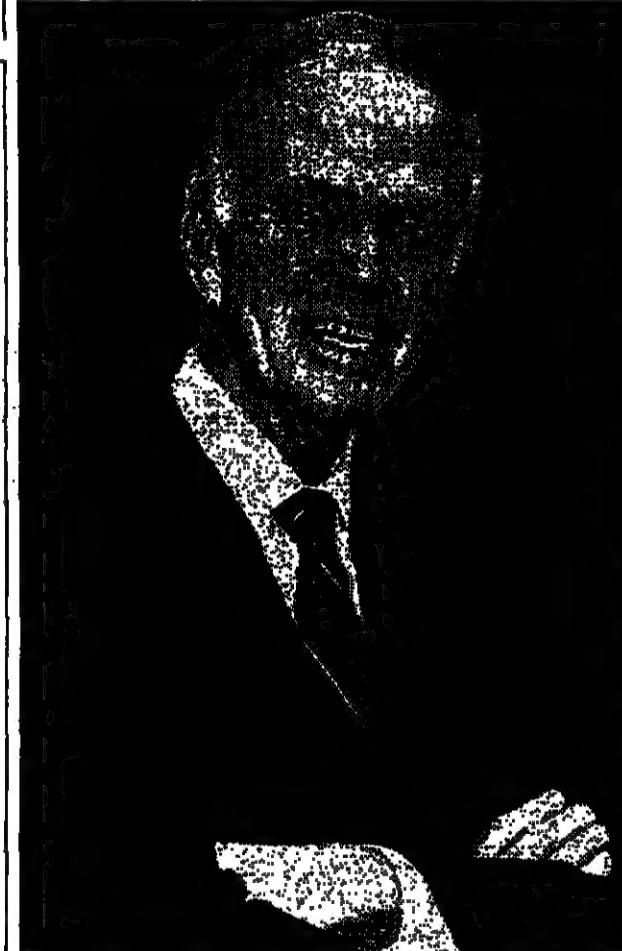
Privately, many wish Mr Packwood would simply resign and go away, or that the voters of Oregon would try to recall him. But in a long political career as a quintessential Republican moderate, the senator has always been known as a man to fight his corner, be it politically or personally.

He was narrowly returned to a fifth six-year term a year ago. Shortly thereafter the Washington Post published details of the sexual harassment accusations against him. Mr Packwood initially blamed his problems on alcohol but has shown no signs of resigning his seat. In fighting back he has intimidated knowledge of extra-marital affairs by other members of Congress.

There has been some sympathy for his contention that the ethics committee staff should not be given licence to "rummage through" his personal papers and some criticism of Mr Bryan for having spoken of possible criminal charges.

But the sentiment of the Senate seems clearly behind its own ethics committee and its arguments for a subpoena. Senator Barbara Mikulski, the Maryland Democrat and a committee member, maintained with some force that "we are not the committee on voyeurism".

Senator Patty Murray, the Washington Democrat, also reminded colleagues that sexual harassment charges against a sitting senator were not to be taken lightly, especially after the embarrassing spectacle of the Senate's grilling of Professor Anita Hill two years ago during the hearings on the nomination of Judge Clarence Thomas to the Supreme Court.



Senator Packwood: offered to compromise over his diaries

## Venezuela lets foreign bankers in

By Joseph Mann in Caracas

FOREIGN investors will be allowed a place in Venezuela's financial system in the most sweeping legislation the country's banks have faced in 20 years.

President Ramon Velasquez yesterday signed a law reforming banking and finance.

The reform, which takes effect from the start of next year, is the last big element in an ambitious economic adjustment programme initiated in early 1985.

Among the main provisions in the new law are:

- Foreign financial institutions may hold majority stakes in Venezuelan banks.
- The Superintendency of Banks, the government supervisory agency for financial institutions, is given independence and new authority.
- Stiffer capital requirements for banks are established.
- Financial institutions are provided with a modern legal framework.

Government supervision has until now been weak and Venezuela's financial system has been hampered in its attempts to develop full-service banks. In the 1970s, equity investment in banking by non-Venezuelans was limited to a maximum of 20 per cent, and several international financial institutions sold their shares in local banks.

Some Venezuelan bankers opposed the reform, calling for more gradual changes.

## Law Lords back Jamaican Death Row prisoners

By Robert Fico, Legal Correspondent

MORE than 100 prisoners on death row in the Caribbean could have their sentences commuted to life imprisonment following a ruling by seven Law Lords in London yesterday.

The British judges sitting as the Judicial Committee of the Privy Council, which remains the final court of appeal for 16 Commonwealth countries including Jamaica, allowed the appeal of two Jamaicans, Mr Earl Pratt and Mr Ivan Morgan, who have been under sentence of death for murder since 1978.

Commuting their sentences to life imprisonment the judges said it was "an inhuman act to keep a man facing the agony of execution over a long extended period of time".

On three occasions the death warrant had been read to the men and they had been removed to condemned cells next to the gallows. This alone was sufficient to bring home to people of normal sensitivity and compassion the agony these men had been through over 14 years, the judges said.

There was "an instinctive revulsion" against the prospect of hanging a man after he had been held under sentence of death for many years.

The Law Lords said that in future, where an execution was

to take place more than five years after sentence, the case should be referred to the Jamaican Privy Council with a recommendation that the sentence should be commuted to life imprisonment.

There are now 23 prisoners on death row in Jamaica who have been awaiting execution for more than 10 years and 82 prisoners who have been awaiting execution for more than five years.

The Law Lords continued: "A state that wishes to retain capital punishment must accept the responsibility of ensuring that execution follows as swiftly as practicable after sentence, allowing a reasonable time for appeal and consideration of reprieve."

The delay in the present case was "wholly unacceptable" but would never have reached anything like its present dimensions if the governor general and the Jamaican Privy Council had reviewed the case early in 1981 after the prisoners' application for leave to appeal had been dismissed.

The Law Lords said they were conscious that the Jamaican government faced great difficulties with a high murder rate and limited financial resources.

But they warned: "Nevertheless, if capital punishment is to be retained it must be carried out with all possible expedition."

Zurich is a major international insurance group. Present on all continents, it is strongly based in more than 40 countries. Our companies focus on selected market segments, and they concentrate on acquiring special expertise in these fields. That is why we understand our customers' needs and expectations better than other players in the insurance industry.

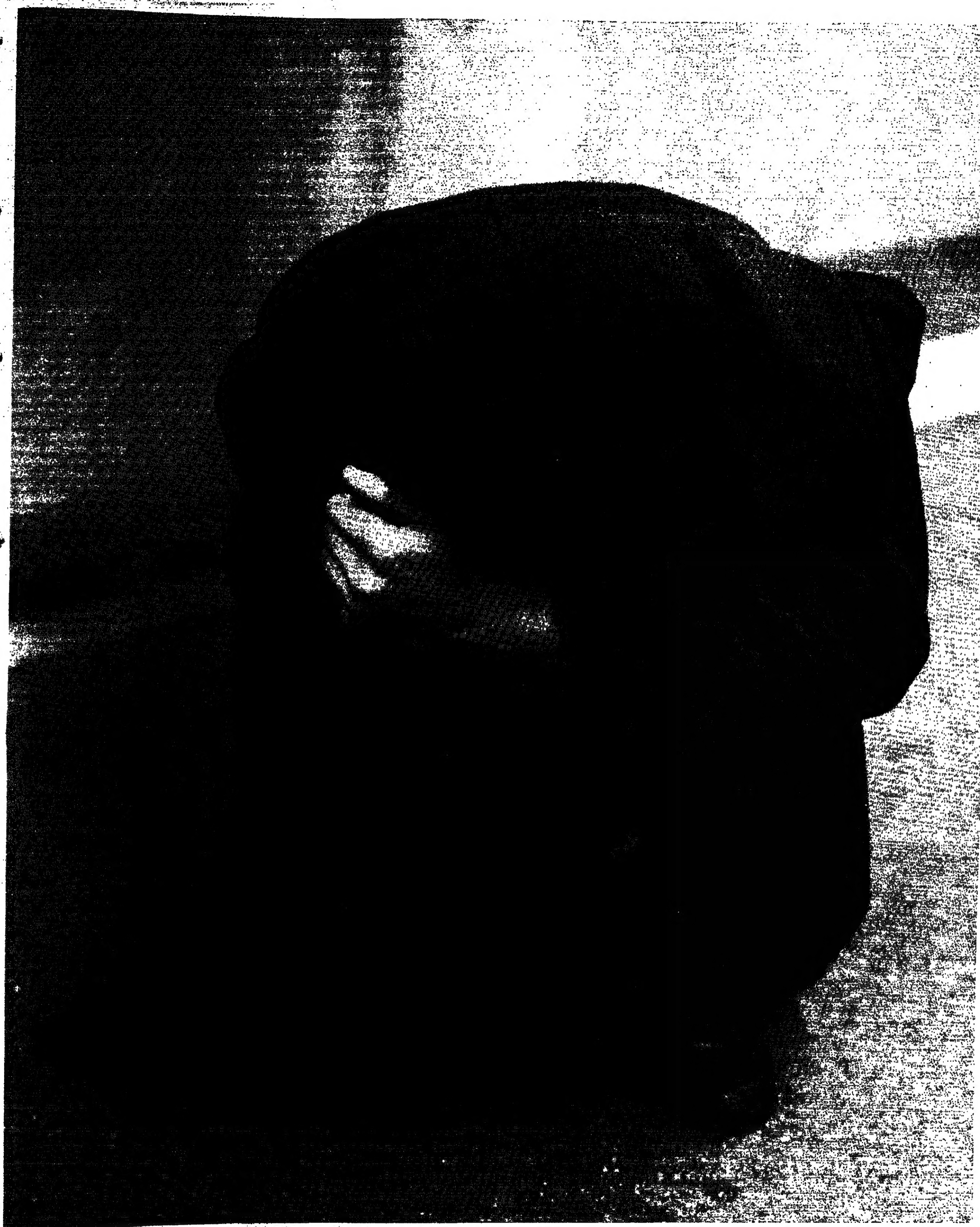
Zurich Australian has created business divisions which focus on specific market segments and customer needs. One division, for example, provides tailor-made products to the food and beverage industry, based on their specific requirements. Customers appreciate our new approach, just ask them.

More for your insurance.

  
**ZURICH**  
INSURANCE GROUP

Handwritten signature or stamp at the bottom of the page.





**'Hello, is there anybody there?' said the Future.** You can ignore the future but it won't go away. A truly integrated Europe is coming, in one form or another, sooner or later. Of this we can all be sure. Indeed in many ways it is already here. There is for instance already a newspaper for Europe. It gives you a European perspective on business, politics, society, culture and all that matters. It is published weekly, and read widely. For pleasure and for business. For information and for stimulation. Is there anybody there? Yes, Yes, Yes, we are here in our millions. Europe is changing. Are you standing still?

**THE EUROPEAN**  
THE WEEKLY NEWSPAPER FOR EUROPE



## World Bank, IMF support economic reform package

# Kenya may seek debt rescheduling

By Leslie Crawford in Nairobi

MR MUSALIA Mudavadi, Kenya's finance minister, warned yesterday that Kenya might have to reschedule part of its \$7bn (\$4.7bn) external debt because of an accumulation of \$700m in arrears resulting from the suspension of foreign aid.

Mr Mudavadi raised the probability of debt renegotiations as the World Bank and International Monetary Fund announced their support for a three-year programme of economic reforms designed to mend Kenya's estranged relations with the international donor community.

The IMF's endorsement of Kenya's new economic policies is critical for the success of a donors' conference in Paris this month which will discuss the renewal of financial aid. However, there were no immediate signs that the IMF was preparing to resume financial assistance to Kenya.

It would be the first time Kenya has sought to refinance its foreign obligations with the Paris Club of creditor nations. Kenya took pride on its repayment record until donor governments, irked by corruption and economic mismanagement, suspended balance-of-payments aid in November 1991, worth about \$40m a month.

"The arrears component of our foreign debt may require rescheduling," Mr Mudavadi said in an interview with the Financial Times. Apart from the issue of arrears, Kenya also faces a large balance of payments gap due to its trade deficit and heavy debt servicing obligations.

Mr Mudavadi declined to put a figure on the balance of payments shortfall, which will form the basis of Kenya's appeal for the resumption of financial assistance. To avoid

disappointment, Mr Mudavadi said he was not going to Paris with a shopping list of demands.

But given the central bank's foreign exchange reserves of just \$20m, private-sector economists believe Kenya is heading for a balance of payments crisis unless donor governments are prepared to resume a measure of financial support.

Mr Hiroyuki Hino, head of the IMF delegation to Kenya, said the economic programme which had his blessing would be presented at the donors' meeting in Paris.

The policy framework paper outlines Kenya's commitment to cutting the budget deficit, curbing inflation from its present 50 per cent a year, and rooting out corruption in the state sector.

The economic programme will be an important factor in the discussions with donors, but by no means the only one. Donor governments have recently voiced concern over the rising level of ethnic violence in Kenya, and the government's apparent indifference to the plight of thousands of displaced peasants in the Rift Valley.

There are also concerns about the government's intention to clamp down on financial improprieties in the banking sector, not a single wrongdoer has been brought to justice.

Mr Mudavadi said it was the government's intention to investigate all cases of corruption and to bring them to justice. But his priorities were to seal the loopholes that had been abused.

This was the aim of all his recent reforms, including the abolition of import licences, the merging of the official and market foreign exchange rates and the deregulation of the maize trade which was previously a state monopoly.

## Burundi premier out of hiding

MS SYLVIE Kinigi, prime minister of Burundi, the East African country's top official since President Melchior Ndayize was killed in a coup, emerged from 12 days of hiding at the French embassy yesterday to hold talks with army chiefs, Reuters reports from Bujumbura.

"She came out of the embassy guarded by about 20 French soldiers," a witness said.

Ms Kinigi has asked the United Nations and the Organisation of African Unity to send in about 1,000 foreign troops to help protect her and government members. The army has rejected this.

The OAU rushed a special envoy to Burundi's capital, Bujumbura, for further talks with the army high command. The UN meanwhile appealed for \$17m (\$11.2m) to provide urgent food and shelter to 675,000 Burundi refugees who have fled to three neighbouring states.

The refugees, mostly women, children and elderly from the majority Hutu tribe, comprise more than 10 per cent of the country's population, says the UN High Commissioner for Refugees.

## Warning over Somalia pullout

Ethiopia and Kenya said yesterday that a pullout of US troops from Somalia before a peace settlement could plunge the country back into anarchy, Reuters reports from Nairobi.

Kenya's President Daniel arap Moi and Ethiopia's President Meles Zenawi, ending two days of talks in Nairobi, called for an urgent African solution in Somalia.

Washington has 10,000 troops in the UN-led multinational force of about 30,000, sent to Somalia to disarm rival warlords. President Bill Clinton plans to pull troops out by March.

Mr Robert Oakley, the US envoy in Mogadishu, began meeting clan leaders yesterday.

# National party ahead in NZ poll

By Terry Hall in Wellington

NEW ZEALAND'S ruling National party appears increasingly likely to win Saturday's general election, aided by a surprising late run from the third-ranking Alliance, according to the last national opinion poll to be conducted before the election.

The Haylen polling organisation yesterday confirmed other recent polls which showed that the Alliance is attracting votes from Labour supporters, reducing its prospects of victory. Up to a fortnight ago, Labour and National were attracting similar levels of support at around 40 per cent.

Mr Mike Moore, the Labour leader,

worried by the loss of support, this week switched the focus of his campaign to fight on two fronts attacking both the government and the Alliance.

The Alliance is led by Mr Jim Anderton, a dissident former Labour MP who as party president orchestrated Labour's landslide victory in 1994 before resigning over its move to the right.

Mr Anderton stitched together an apparently unlikely consortium of opposition groups, including left-wing trade unionists, former Labour party members, the Green party, the Social Credit party, and a Maori opposition group Mana Matabaki led by Mr Mat Rata, a former Minister of Maori Affairs in a

past Labour government. They are united in wanting to overturn the "monetarist" reform programmes followed since 1984 by both National and Labour parties in government.

The poll showed that National had increased its lead by one percentage point to 39 per cent. Labour was down two points to 32 per cent as support grew for the Alliance, especially in the key marginal Auckland seats which are expected to decide the outcome of the election. The Alliance was up one point to 17 per cent, and New Zealand First, led by Mr Winston Peters, a dissident former Maori MP, was down one point to 9 per cent.

Mr Moore remained the preferred

prime minister with 23 per cent support. Mr Anderton was up five points to 15 per cent to match the prime minister, Mr Jim Bolger, while Mr Peters had 14 per cent support.

The poll also showed that voters were moving towards favouring a continuation of the Westminster-style first-past-the-post electoral system ahead of a referendum being conducted along with the election. Support for that system had increased to 41 per cent, while that for the German mixed member proportional option was down slightly at 46 per cent. This time last year only 20 per cent of voters favoured the UK method while 72 per cent wanted the German system.

# Malaysia: furious growth continues

Kieran Cooke looks at the south-east Asian nation's optimistic outlook

MALAYSIA'S economy continues to expand at rates western countries dream about.

On Friday Mr Anwar Ibrahim, the finance minister, presented the 1994 budget and forecast that Malaysia's gross domestic product was likely to grow by 8.5 per cent this year.

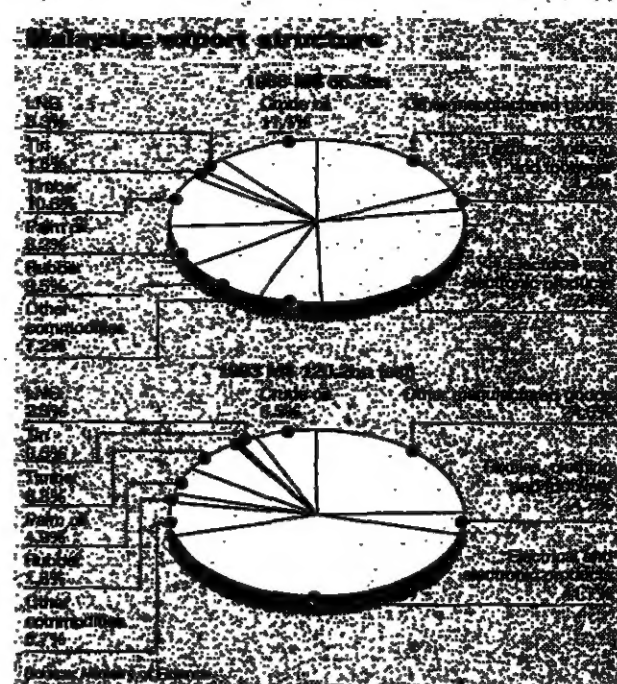
"With this growth, the Malaysian economy would have experienced growth rates of 8 to 9 per cent for six successive years, an attainment which has never been achieved before," said Mr Anwar.

Officials say Malaysia is on course to achieve its aim of becoming a fully industrialised country by the year 2020. "We are moving into a period of sustainable economic development," said one official. "To achieve our goal we aim for 7 per cent growth in each of the next 27 years."

While some might doubt that such high growth can be maintained, Malaysia is optimistic.

The Kuala Lumpur stock market, which has risen more than 50 per cent since the beginning of the year, largely due to a massive influx of foreign funds, reached a new all-time high in the aftermath of Mr Anwar's budget speech.

Despite a recession in many of its markets, Malaysia's export earnings are expected to grow by 16 per cent to M\$120bn (US\$47bn) this year, compared with a 10 per cent rise in 1992. While Malaysia still runs a substantial deficit in its ser-



vices account, a strong export performance is expected to result in a surplus in the balance of payments current account, the first since 1989.

Strong economic growth has brought an improvement in national finances. Foreign exchange reserves rose from M\$47.2bn at the end of 1992 to over M\$60bn and the country's debt service ratio has gone down to 5.2 per cent from 5.7 per cent of gross exports.

Despite a rise of 13 per cent in development spending in the 1994 budget, the government says an increase in revenues due to strong economic growth means that Malaysia is expected to achieve a balanced budget for the first time.

Meanwhile, there is zero unemployment in most parts of the country, annual per capita incomes have risen in the last 12 months by 11 per cent to M\$2,350, and the overall infla-

tion rate has dropped to 3.7 per cent compared with over 5 per cent early last year.

But fast growth has resulted in infrastructure bottlenecks. As in other fast-emerging economies, such as Thailand and Indonesia, Malaysia's roads are jammed with vehicles, ports are congested and its power industry lacks capacity.

"The present infrastructural constraints, especially in power and transport, have occurred too often and are now being addressed as a matter of urgency," said Mr Anwar in his budget speech. Critics say that by not tackling these problems sooner, the government has put at risk further economic growth.

The other main problem area is investment. Much of Malaysia's recent economic growth is due to the government's success in luring investments from overseas.

Attracted by the country's political stability and its relatively low wages, multinational companies have poured millions of dollars into electronics and other industries.

In 1990-91, foreign companies invested about M\$17bn in Malaysia's manufacturing sector, representing well over half total investment. In the first seven months of this year foreign investments fell to M\$2.4bn.

In part the fall-off is because of the tough times being endured by many cash-strapped foreign companies.

But it is also because Malaysia is facing stiff competition for investment from countries such as China and Vietnam. "Every country in this region is trying to offer the best tax packages for investors and we cannot be left behind," says Mr Anwar. The 1994 budget cuts corporate tax by two percentage points to 32 per cent, with a further two-point reduction in 1995.

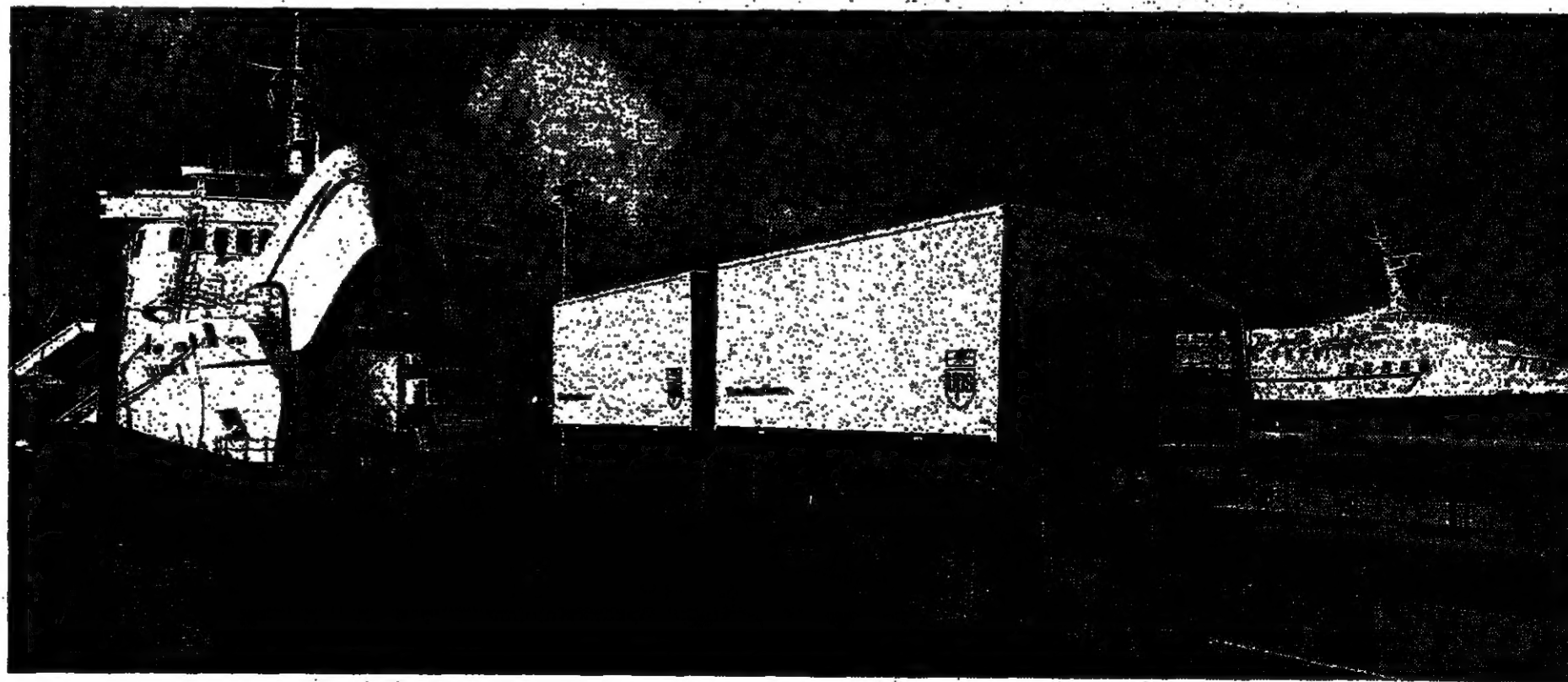
Under the present five-year plan (1991-95) the government's aim was to lessen dependence on foreign investment, with domestic concerns playing a greater role. But this has not happened, even though many Malaysian companies are cash-rich. Domestic investment fell by more than 50 per cent to M\$2bn in the first seven months of this year. The 1994 budget includes a number of tax and other incentives to encourage more participation in the economy by domestic concerns.

Malaysia's development is also being affected by skills constraints.

A comprehensive overhaul of the education system is planned, but there are those who wonder whether the government has delayed too long in taking action.

"Short-term, Malaysia will continue to be a success story," said one local economist. "But we're really only made it to the first development plateau. It's going to be a lot tougher from now on."

WHEN  
EUROPE'S TRADE  
BARRIERS  
CAME DOWN  
SO DID  
UPS DELIVERY  
TIMES.  
(AS WELL AS  
MOST OF OUR  
RATES.)



After all the anticipation...  
After all the celebration...  
UPS is pleased to announce some tangible benefits of the single European market.  
Because we can now cross borders with less fuss and fewer delays, we have been able to reduce transit times for many of our European ground deliveries.  
A fact you can check by referring to our published time-in-transit list.  
And for those who are still in doubt that this really is the new Europe, we've also reduced our rates by up to 30%.

We've always aimed to offer the most predictable deliveries. But it's equally predictable, with UPS, that if we can perform our task more efficiently, we pass the savings on to you. In this case, savings in time as well as money.



As sure as taking it there yourself.

Handwritten signature or stamp at the bottom of the page.



## Labour faces setback in Jerusalem

By Julian O'Connell in Jerusalem

ISRAELI voters across the country yesterday for new municipal councils said signs that the Labour party of Mr Yitzhak Rabin, prime minister, was heading for an electoral setback in Jerusalem in the first test of public opinion since the signing of the Israeli-Palestinian peace agreement.

Elsewhere in the country, however, political analysts predicted Labour would marginally increase its control over local government, reducing the power of the right-wing Likud party which controls more councils than Labour.

In Jerusalem, centre-point of the battle between Labour and Likud, Mr Teddy Kollek, 65-year-old Labour mayor who has headed the Holy City's administration for 28 years, was last night facing the prospect of being defeated by his challenger, Mr Ehud Olmert.

Mr Olmert, a Likud member of parliament who opposes the peace accord, delivered a last-minute blow to Mr Kollek by cutting a deal for the support of the city's ultra-orthodox community. Under the deal an ultra-orthodox candidate, Mr Meir Porush, agreed to drop

out of the race and swing his votes behind Mr Olmert.

Forecasters had said that to win re-election Mr Kollek would need a heavy turnout from the city's 80,000 Palestinians living in Israeli-occupied Arab east Jerusalem. But Israeli radio said yesterday afternoon that turnout among Palestinian Jerusalemites was less than 1 per cent.

Mr Kollek has been a standard-bearer of peaceful co-existence between Arabs and Jews. Mr Olmert has campaigned on an aggressive policy of Jewish settlement throughout Jerusalem including in neighbourhoods which under Mr Kollek were reserved for Palestinians. Palestinian politicians said yesterday a defeat for Mr Kollek would seriously set back talks between Palestinians and Israel on the future of the Holy City, due to begin within two years. But many Jewish voters think Mr Kollek is too old to lead the city again.

In Tel Aviv Mr Ronni Milo seemed likely to keep Israel's commercial capital under Likud leadership.

Mr Rabin has said he views the elections as a vote of confidence in the unfolding peace process.



Jerusalem's Mayor Teddy Kollek gesturing to reporters after casting his vote in yesterday's election

## Palestinians suspend talks

By Julian O'Connell in Jerusalem

TALKS between Israeli and Palestinian peace negotiators broke down yesterday over the extent of Israeli troop withdrawal from the occupied Gaza Strip.

The Palestinian team, led by Mr Nabil Shaath, said it was suspending talks with Israel until next week and would consult Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, before

resuming the talks on the details of implementing the Israeli-Palestinian peace accord.

The disagreement over the extent of Israel's military withdrawal from Gaza, due to begin in less than six weeks, is the first real snag in the talks which are supposed to conclude a protocol on Israeli withdrawal from Gaza and the West Bank area of Jericho by the middle of next month.

On Monday Israel presented

maps and plans for the withdrawal and redeployment of its soldiers, which leaves control of several roads used by the 5,000 Jewish settlers in Gaza in Israeli hands. Substantial Israeli forces would also remain in the settlements, on the beaches and on the roads even after a withdrawal was supposed to have been completed by April.

There would be full Israeli control over the border crossing from Gaza into Egypt, and

plans to ensure the protection of Israeli settlers moving through the Gaza area.

Palestinians say the proposals contravene the peace agreement. They are particularly upset at Israel's insistence that it maintain a military presence over roads leading into the settlements which pass through Palestinian population areas.

After yesterday's breakdown Palestinians said they would demand complete Israeli troop withdrawal.

## Spanish in Palestinian venture

By Tom Burns in Madrid

BANESTO, the big Spanish commercial bank, said yesterday it had formed a \$60m (£39.7m) joint venture with Israeli, Palestinian and Moroccan groups to fund development in Jericho and in the Gaza Strip.

The venture, called Salam 2000, brings the Spanish bank together with Koor, the Israeli industrial and financial group, as well as Morocco's powerful Omnium Nord Africain (ONA) holding and with Palestinian investors led by Mr Jawid Ghossein, the head of the Palestine National Fund, a para-governmental body that acts as the finance ministry of the Palestine Liberation Organisation.

Banesto, which did not disclose details of the shareholding in the joint venture, said Salam 2000's initial project would be to finance a cement factory in an unnamed location. The bank said it intended to tap the US markets for a further \$150m for more investments in the area.

It described the move as a pioneering investment in the Israeli-occupied territories where the Palestinians are being granted self-rule.

Earlier this year Banesto established close relations with JP Morgan, the US investment bank which is helping the Spanish group to raise its capital base through rights issues aimed at US institutions.

## Jordan's wider choice narrows the debate

James Whittington on the kingdom's first multi-party election

SIX political heavyweights from Amman's Third District faced nearly two thousand voters in the ballroom of the Philadelphia Hotel and were quizzed for three hours on their campaigns leading up to Jordan's general election next Monday.

Questions ranged from women's rights to corruption, from Jordan's economic reform programme to its education system. The candidates included an ex-prime minister and three former ministers.

It was a rare display of political debate in a region not noted for freedom of expression. But it is unlikely to have changed the way members of the audience vote on November 8. Most have already made up their minds.

In Jordan's last elections in 1989, candidates ran as independents for the 80-member lower house of parliament. This time round more than 15 political parties and 555 candidates are officially registered to contest seats in the country's first multi-party elections since 1958.

The kingdom is festooned with posters, banners and campaign leaflets. And the 1.5m voters are seemingly spoilt for choice. But there is a distinct lack of enthusiasm.

Most people blame the controversial new election law - announced by King Hussein in August - which changed the rules to one person, one vote. Under the old system, the number of votes allowed equalled

the number of seats in the district. Thus voters had two or three, and in one constituency, nine votes to play with.

This suited most candidates because if they lobbied hard enough and obtained the support of a majority of voters, even as the second or third choice, they stood a chance of being elected. This time round they have to be the first and only choice.

The effect has been a narrowing of political debate. The electoral change is purposely weighted in favour of those candidates with strong tribal affiliations and influential families, the bedrock of King Hussein's faithful. Their votes will be won out of obligation and loyalty, which take precedence over choice or preference in Jordanian society.

As a result, most candidates are campaigning to widen their private network of contacts on a limited range of local and personal issues. Manifestos generally consist of little more than vacuous slogans calling for national unity, Arab unity, a free Palestine, and democracy for all.

Campaigns are conducted in homes, over the telephone, and by buttering-up influential

tribal and family figures. Most of the parties have chosen to sell the attributes of individual candidates rather than the party itself. The expected losers are the new political parties which are largely based on woolly ideologies rather than useful tribal connections.

The exception is the Islamic Action Front (IAF), the political wing of the Moslem Brotherhood, which backed numerous candidates in the last election and won 21 of 80 parliamentary seats. This time the IAF has 36 candidates standing in 15 of 20 districts.

Its leaders say the new electoral system is weighted against them. Last week they met the prime minister to complain that their campaign was being targeted by the government. Until last weekend, when the High Court overruled the minister of the interior, they were banned from holding large-scale public rallies, and they say that their supporters in the civil service have been forbidden to campaign for the party.

The likely outcome is that the new parliament will be dominated by pro-government and tribal MPs. The expected decrease in the number of successful fundamentalist candidates would result in less opposition to government policies. And King Hussein would be able to continue with his agenda without worrying about a rowdy house of elected representatives.

## \$1.8bn issue launched to rebuild Beirut

By Mark Nicholson in Cairo

MIDDLE EASTERN investors were yesterday invited to subscribe to one of the region's biggest public share issues - and in effect to buy a stake in Lebanon's future - with the launch of Solidere, a \$1.8bn (£1.3bn) company designed to rebuild Beirut's city centre.

Subscription will be open to Lebanese and other Arab nationals on a scale of priorities determined by the company. The offer, of 6.5m shares at \$100 each, closes on January 10. "It is probably the largest private launch in the Middle East," Mr Nassir al-Shammaa,

Solidere's general secretary, said yesterday.

A successful launch would provide the biggest private investment tranche towards the ambitious rebuilding plans of Mr Rafik Hariri, Lebanon's billionaire businessman turned prime minister. Solidere's city centre project is a pivot of Mr Hariri's 10-year, \$13bn programme to revive Beirut as the cosmopolitan hub of trade, finance and recreation it was before the 17-year civil war erupted in 1975.

The government already has pledged more than \$1bn for specific rebuilding projects from the EC, UN, the Opec

Fund, Arab institutions and European countries.

But the share offer will be a test of private sector commitment to Mr Hariri's ambitions and, in particular, of his conviction that wealthy expatriate Lebanese will channel wealth back into their country. Lebanese expatriates are estimated to hold \$30bn to \$40bn in assets outside the country.

The issue represents 35 per cent of Solidere's equity, the remainder of which will comprise 11.7m class A shares distributed among 150,000 Lebanese in exchange for their title to property on which Solidere will rebuild. A government

committee valued this land in central Beirut at \$1.7bn - the value of shares to be issued to former property owners.

Additional class B shares in Solidere - its name being the French acronym for Lebanese Company for Development and Reconstruction of Beirut Central District - will be offered to these former landowners, other Lebanese residents, government agencies, Lebanese expatriates and Arab citizens - in that order of priority.

Paribas of France, Saudi American Bank, the Riyadh-based joint venture bank, will act as subscription agents for the sale outside Lebanon.

**intel i486 DX2**

**The affordable power source in your PC to run today's software.**

Today's user friendly software demands a lot of power. Power that Intel's i486 DX2 microprocessor can provide.

Whereas other systems slow down running multiple windows applications, the Intel i486 DX2 is able to cope with ease. By using Intel's latest speed doubling technology.

Of course, it guarantees compatibility, as all of today's most popular software is designed to run on Intel microprocessors. It also generates enough power to cope with the next generation of demanding software.

Performance, compatibility and room for the future - three powerful reasons to buy a PC with an Intel i486 DX2 inside.

For more information, simply post the coupon.

To: Intel Corporation, Customer Support Centre, Pipers Way, Swindon, Wiltshire, SN3 1RJ. Please send me further information on Intel i486 DX2 processors.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_  
Country \_\_\_\_\_

**intel**



© 1993 Intel Corporation



## MEETING OF EUROPEAN AND AMERICAN CITIES TO DISCUSS EXPERIENCES IN STRATEGIC PLANNING

BARCELONA 1, 2 AND 3 DECEMBER 1993

Organized by



BARCELONA 2000 STRATEGIC PLAN

### Wednesday, 1st December 1993

04.00 p.m. INTRODUCTION TO THE CITY OF BARCELONA  
- Barcelona: projects and realities in urban transformation  
07.00 p.m. OPENING OF THE INTERNATIONAL MEETING  
Participants:  
Jordi Pujol, President of the Government of Catalonia  
Pascual Maragall, Mayor of Barcelona and President of the General Council of the Barcelona 2000 Strategic Plan  
Josep Borrell, Minister of Public Works, Transport and the Environment  
Bosch Melles, Commissioner of Regional Policy and Relations with the Regions Committee of the European Communities Commission  
Martina Longavilla, Sub-director for Social Development of the Inter-American Development Bank

### Thursday, 2nd December 1993

At Hotel Milla Barcelona  
09.00 a.m. THE INSTITUTIONAL FRAMEWORK OF URBAN POLICY:  
- THE URBAN POLICY  
- ICE PLANS FOR COOPERATION AND URBAN AREAS  
- THE SUPPORT POLICY OF THE INTER-AMERICAN DEVELOPMENT BANK IN CITIES AND URBAN AREAS  
11.30 a.m. STRATEGIC URBAN PLANNING:  
THE EUROPEAN EXPERIENCE I  
Cities: Amsterdam, Oslo and London  
THE NORTH AMERICAN EXPERIENCE  
Cities: New York and Toronto  
04.00 p.m. STRATEGIC URBAN PLANNING:  
THE EUROPEAN EXPERIENCE II  
Cities: Barcelona, Birmingham and Lille  
THE LATIN AMERICAN EXPERIENCE  
Cities: Caracas, Sao Paulo and Santiago de Chile

### Friday, 3rd December 1993

At Hotel Milla Barcelona  
09.30 a.m. WORLD BANK: CITIES AND STRATEGIC PLANNING SEEN AS A WHOLE  
11.00 a.m. ROUND TABLE WITH THE MAYORS OF BARCELONA, BUENOS AIRES, LYON, RIO DE JANEIRO AND SANTIAGO DE CHILE  
01.00 p.m. CLOSING CEREMONY

PARTICIPANTS  
Josep Antoni Añel, Leonor Amargosa, Francesc Arpa, Jordi Borge, Saul Borer, Adolfo Cabrer, Manuel Campo Vidal, Fernando Cardesa, Alfred Chemseddin, Joan Clos, Victorio Cordero, Jose Luis Diez, Bruno Espin, Rafaela Fontana, Mireia de Forn, Rosalind Gifford, Manuel Góngora, Javier Juncos, Juan P. José, Juan José Lleras, César Mesa, Pascual Maragall, Víctor Marcano Riera, Arana Negro, Michel Nier, Carlos Pineda, Joan Puig, Francisco Rentería, Jaime Rosales de la Fuente, Francesc Santolucida, Sharon Shea and José M. Zabala.

Secretariat: Barcelona 2000 Strategic Plan  
Riera, 31, 4a. 2a. E-08010 Barcelona  
Tel. 34-3 318 70 51. Fax 34-3 317 48 35

Member Institutions on the Executive Committee:  
BARCELONA CITY HALL  
SPANISH METROPOLITAN AREA  
OFFICIAL OFFICE OF COMMERCE, INDUSTRY AND AGRICULTURE OF BARCELONA  
CIRCLE OF ECONOMISTS  
COUNCIL OF ECONOMIC COOPERATION  
BARCELONA TRUST FOR  
NATIONAL LABOUR FRONT  
PORT OF BARCELONA  
GENERAL MUNICIPALITY  
BARCELONA UNIVERSITY  
Promoting Institutions:  
Ajuntament de Barcelona

## Notice of Redemption at the option of the Noteholders



DBT  
DYNAWORLD BANK & TRUST

US\$ 70,000,000  
10% per cent Guaranteed Notes due 1996  
Guaranteed by

BANCA SERFIN, S.N.C.

NOTICE IS HEREBY GIVEN that in accordance with Condition 6(c) of the Notes, the holder of each Note will have the option to require the issuer to redeem such Note on 17th January, 1994 (the "Redemption Date") at 86.35% of its principal amount. Interest on any redeemed Note will cease to accrue on the Redemption Date. To exercise such option Noteholders must deposit such Note, together with all Coupons relating to it which mature after 17th January, 1994, with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) together with a duly completed redemption notice in the form obtainable from any of the Agents, not more than 60 nor less than 30 days prior to such date. No Note so deposited may be withdrawn (except as provided in the Paying Agency Agreement) without the prior consent of the issuer.

Principal Paying Agent, Transfer Agent and Registrar  
Banque Internationale à Luxembourg S.A.  
2, boulevard Royal  
L-2955 Luxembourg  
Paying Agents and Transfer Agents  
Banque Internationale à Luxembourg S.A. London Branch  
Priority House  
1 Mire Square  
London EC3A 5BS  
Banque Internationale à Luxembourg (Suisse) S.A.  
15 Avenue Montchoisi  
CH-1006 Lausanne

These companies are listed in the World Stock  
Market's top 1000  
under  
Japan's top 1000  
and the top 1000  
of the world's  
most innovative  
companies.  
For those companies  
interested in joining this elite group,  
please contact Financial Times Japan Limited on Tokyo  
03-3295 4050, or the FT Japan Club

## NEWS: WORLD TRADE

## Malaysian carmaker to produce left-hand-drive models for continental market

# Proton sets up European venture

By John Griffiths in London and Kieran Cooke in Kuala Lumpur

AN Anglo-Malaysian joint venture through which the Proton, Malaysia's national car, will be marketed in continental Europe from the middle of next year was formalised in Kuala Lumpur yesterday. The venture, Proton Cars Europe, is between Proton itself, its Malaysian distributor, Edaran Otomobil Nasional, and Mr David Brown, who introduced Proton cars to the UK - which has subsequently become by far Proton's largest export market.

Mr Brown will have a 55 per

cent stake, Proton 25 and Edaran 20. The initial sales target for the first year of operation is 8,000 units, although the long-term hope is for much larger sales as Proton's production capacity expands. Proton has about 70 per cent of the Malaysian car market and is now making an aggressive sales push overseas. It has outline plans to set up an assembly plant in Vietnam and is considering an overseas manufacturing facility, possibly in Chile. Capacity at the plant, 20 miles outside Kuala Lumpur, is being increased to 150,000 units a year from the current 120,000 and the 80,000 with which the car project

began in the mid-1980s. This is to cope with both the introduction of new models and the start of manufacture of left-hand-drive vehicles for export to Europe from early next year. Currently Perusahaan Otomobil Nasional Bhd, the Proton's manufacturer, makes only right-hand-drive cars. Malaysians drive on the left, reflecting the country's former colonial status, and exports hitherto have been confined to right-hand-drive markets. The UK is by far the biggest export market with just under 15,000 sold in 1992 and 16,000 projected for the current year. Another 2,000 annually have



Proton's Wira, to go on sale in the UK this month as the Persona

been sold in other right-hand-drive markets such as New Zealand, Australia, Bangladesh, Sri Lanka and other Commonwealth markets. Proton is itself a joint venture company in which Japan's

Mitsubishi Corp has a 17 per cent stake. Proton Cars Europe will not, however, act as a conventional importer and distributor in continental Europe in the same way as Proton Cars operates in

the UK. Instead, its role will be to research and recommend to Proton a network of national distributors for each European country, and to co-ordinate their activities after they have been appointed.

## Beijing distribution centre for Yaohan

By Emilio Teraszono in Tokyo

YAOHAN, a Japanese retailing group, plans to set up a big computerised distribution centre in Beijing with the Chinese government, to be completed in 1995. Mr Kazuo Wada, Yaohan's chairman, who moved the group's headquarters to Hong Kong in 1990, said the plan was part of his strategy of establishing production, distribution

and retail networks throughout China. Yaohan, which has 432 stores worldwide, became the first foreign retailer to set up shop in China, opening department stores in Shenzhen and Beijing in 1991. It is also building a shopping centre with floor space of 108,000 sq m in Pudong, the special economic zone near Shanghai, to be completed in 1995. "China lacks proper wholesaling

and distributing systems. It takes two to three months to replace a product after it has been sold," said Mr Wada. He plans to set up distribution centres in 10 provinces, and wants to open 1,000 supermarkets in China by the year 2010.

Mr Wada reckons that the true purchasing ability of Chinese living in large cities is not reflected in the official statistics. Although the national average annual income is considered

to be about \$360 (\$233) per person, "in Shanghai it's about \$2,000 and in Shenzhen about \$3,000," he said. Canon, the camera and office equipment maker, will shift production of low-price printers and facsimile machines to China to cope with the yen's rise against the dollar. The company plans to spend \$30m on a new production plant near its compact camera manufacturing subsidiary in Guangdong.

## Rockwell in Chinese car parts agreement

By John Griffiths

ROCKWELL International, the US automotive-to-aerospace multinational, is setting up a joint venture in China to develop and make a range of car body components for the fast-expanding Chinese vehicle industry. The venture, in which Rockwell will have a majority stake, is with Zhen-

jiang General Equipment Factory, based about 200 miles from Shanghai. It will operate under the name of Rockwell Chassis and Body System Zhenjiang Company.

Under the terms of the agreement, Rockwell will supply technology, processing equipment, systems and management expertise - as well as an undisclosed amount of investment

capital - for the production of window regulators, door latches, handbrakes and similar products.

Rockwell has been active in China since the 1970s. "The venture reflects Rockwell's overall strategy for investment in China, where there is a huge potential for passenger car growth," according to Mr Donald Beall, its chairman and chief executive.

Rockwell already exports to China heavy-duty axles and brakes and components for off-highway construction equipment, avionics, telecommunications and automation equipment and printing presses.

Several of its existing motor industry customers, including Peugeot of France, are either starting up or expanding car production in China.

## Israel quick to establish trade relations

By Julian O'Zanne in Jerusalem

ISRAEL and China are moving swiftly to establish trade and business ties, following the visit by Mr Yitzhak Rabin, Israeli prime minister, to China last month. Bank Hapoalim, Israel's largest banking group, yesterday said it had established correspondent banking relations with China during a high-level Hapoalim mission to Beijing. The bank said the relations would help Israeli and foreign clients of Hapoalim wishing to invest in and trade with China.

Bank Hapoalim's announcement fol-

lowed the signing in Jerusalem of a memorandum on agricultural co-operation between Israel and China. The memorandum, signed by Mr Liu Jialang, China's agriculture minister, and his Israeli counterpart, Mr Yacov Tsuri, provides for the establishment of a standing Chinese-Israeli agricultural committee, exchange of experts and information, the strengthening of a joint training programme and the establishment of a joint Israeli-Chinese model farm near Beijing where Israeli agricultural experts can demonstrate Israeli technology to Chinese farmers.

During Mr Jiang's eight-day visit to Israel, which ends tomorrow, a \$1.5m deal was also concluded between Fiat Tractor of Israel and Beijing Plastic to sell Israeli irrigation equipment to China. Chinese technicians are already learning about the irrigation technology at Kibbutz Gvat.

Mr Jiang said Israeli irrigation equipment and other agricultural technology would be especially helpful in western China, which has a similar climate to Israel's. "Your irrigation systems can contribute a lot to advance the co-operation between the two countries," he said.

Israeli officials said strengthening economic ties between the two countries was a result of the Israeli-Palestinian peace agreement. China has always supported the Palestinians, and held up ties despite establishing diplomatic relations with Israel two years ago. Mr Dan Proper, president of the Israeli Manufacturers Association, who accompanied Mr Rabin to China last month, said yesterday further trade deals and joint ventures were in the pipeline, especially in advanced agricultural technology and irrigation, communications, telephones and electronics, food conservation, and chemicals such as potash.

Mr Dan Proper, president of the Israeli Manufacturers Association, who accompanied Mr Rabin to China last month, said yesterday further trade deals and joint ventures were in the pipeline, especially in advanced agricultural technology and irrigation, communications, telephones and electronics, food conservation, and chemicals such as potash.

## Japan unhappy over rice tariffs

Japan told Gatt director general Peter Sutherland yesterday Tokyo would find it "politically difficult" to accept replacing its rice import ban with tariffs under a Uruguay Round deal, a world trade body spokesman said. At a one-hour meeting in Geneva, Prime Minister Kiichi Miyazawa sought a special exemption for Japan, Mr Sutherland urged Japan to accept comprehensive import liberalisation.

## Vision of unity for embattled central America

### Edward Orlebar reports on a commitment to freer trade and integration among six poor republics

THE SIX small, poor republics of central America, still suffering the fallout from more than a decade of ruinous civil wars, huge foreign debts, and injudicious economic policies, made an important commitment last week to economic integration.

The six presidents signed an agreement on Friday which will set them on course for free trade within the area and lay the foundations for deeper political harmonisation - for those that want it.

It reflects the view of politicians and the business community that greater economic integration is essential if central America's 30m inhabitants are to avoid being swamped economically by extra-regional competitors.

While short on binding measures or concrete commitments, the agreement is an important statement of intent to strengthen regional integration in the new realities of central America.

The deal comes in the form of a protocol to the original 1980 General Treaty on Central American Economic Integra-

tion which created the Central American Common Market. The new model of integration with a common external tariff of 20 per cent replaces an import substitution one based on high external tariffs. With the exception of Panama, all the countries have already adopted this new regime.

The presidents also undertook to speed up the removal of the last of the internal non-tariff barriers that have been erected over the past decade or so.

Objections by Costa Rica to anything beyond merely trade initiatives forced the core group of four - Guatemala, Honduras, El Salvador and Nicaragua (Panama is something of a special case) - to make "voluntary and gradual" the protocol's implementation.

Panama has only recently thrown its hat in with central America and is expected to move more slowly on integration.

Mr Rafael Rodriguez, the secretary general of Sica, the technical body which has drafted the nuts and bolts of the agreement, admitted that he would have liked deadlines for the commitments in the protocol, but denied that its voluntary nature would diminish commitment.

"It is not a strait-jacket," he said. "There is an element of flexibility." While the Costa Rican government insisted it supported free trade in the region, it would not accept a customs union, the free movement of labour or a commitment to a single currency.

"If we allowed free movement of labour, a million Nicaraguans would cross over our northern border to seek work," Mr Roberto Rojas, the Costa Rican trade minister said in an interview recently.

Nor did Costa Rica, which receives 50 per cent of its fiscal revenue from import duties, wish to lose control over its

collection, implied by a customs union, where any central American port would act as a point of entry to the region.

During the 1980s, civil wars in El Salvador, Guatemala, and Nicaragua, trade barriers, and mutual hostility between Nicaragua's left-wing Sandinistas and the region's right-wing military-dominated governments contributed to a drop in intra-regional trade from a peak of \$1.1bn in 1980 to \$450m in 1986. This year trade flows are expected to pass \$1bn.

But the new vision of integration is not just about trade. Recently El Salvador, Nicaragua, Honduras, and Guatemala, abolished passport controls for their citizens, and plans are well advanced on connecting stock markets and allowing banks, brokerage houses and other financial institutions to operate in each other's country.

The region's governments, which by happy coincidence



prices, which came into effect on October 1.

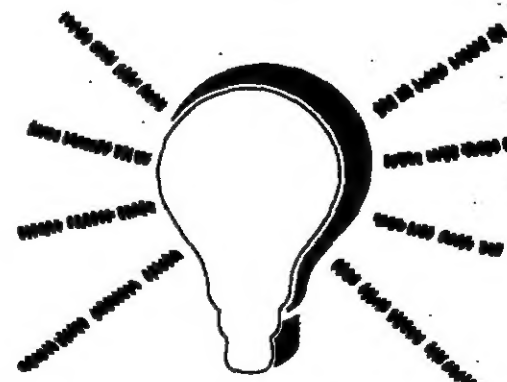
Central America has also been told repeatedly by the US that its chances of reaching a free trade agreement would be greatly increased if it could negotiate on bloc, despite Costa Rica's efforts to cut its own deal.

Similarly the bloc has already negotiated so-called asymmetrical agreements which favour central America with Colombia, Venezuela and Mexico, and talks are under way with the Caribbean community.

But while the grand conflicts of the 1980s are nominally over, or have diminished to the occasional combat, the region's impoverishment continues to fuel unrest, which could undermine integration.

"If we can solve these problems, we can make a quantum leap," says Mr Gert Ekenstam, the Guatemalan secretary-general of the Santiago-based Economic Commission for Latin America and the Caribbean. "If central America is to compete in the world economy it must integrate its economies."

## WHO CAN I TURN TO FOR HELP IN SOLVING TECHNICAL PROBLEMS IN MY COMPANY?



EurekAEA!

To find out how AEA Technology's science and engineering expertise can help your business, call us now or post the coupon to: AEA Technology, Pinner, Middlesex UB8 3PH.

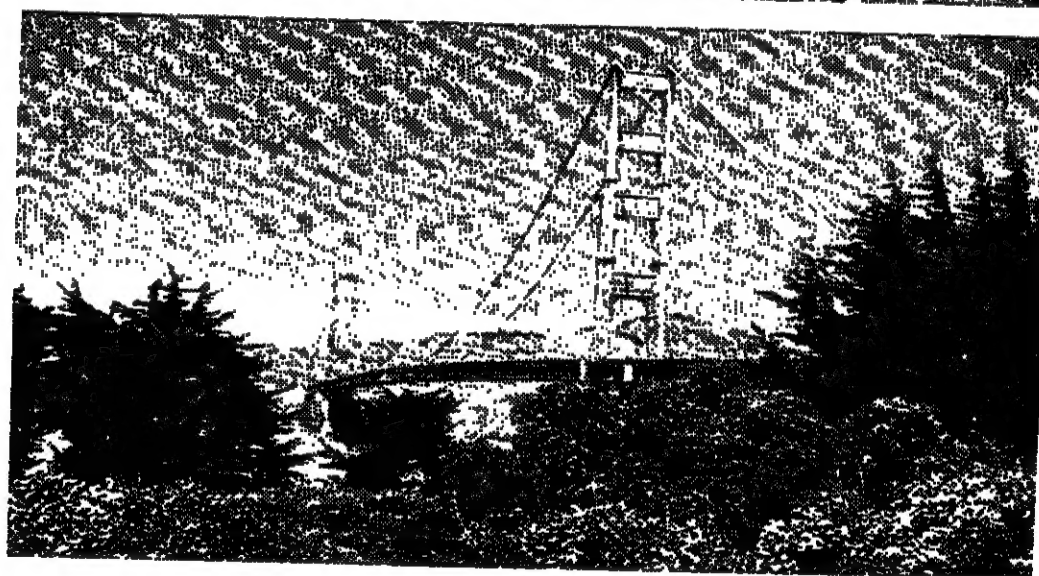
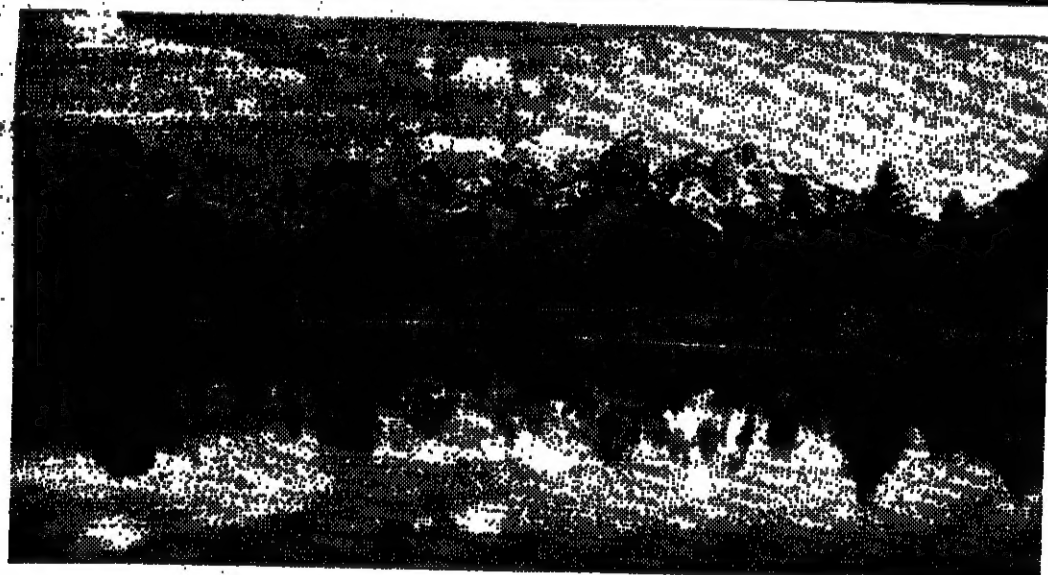
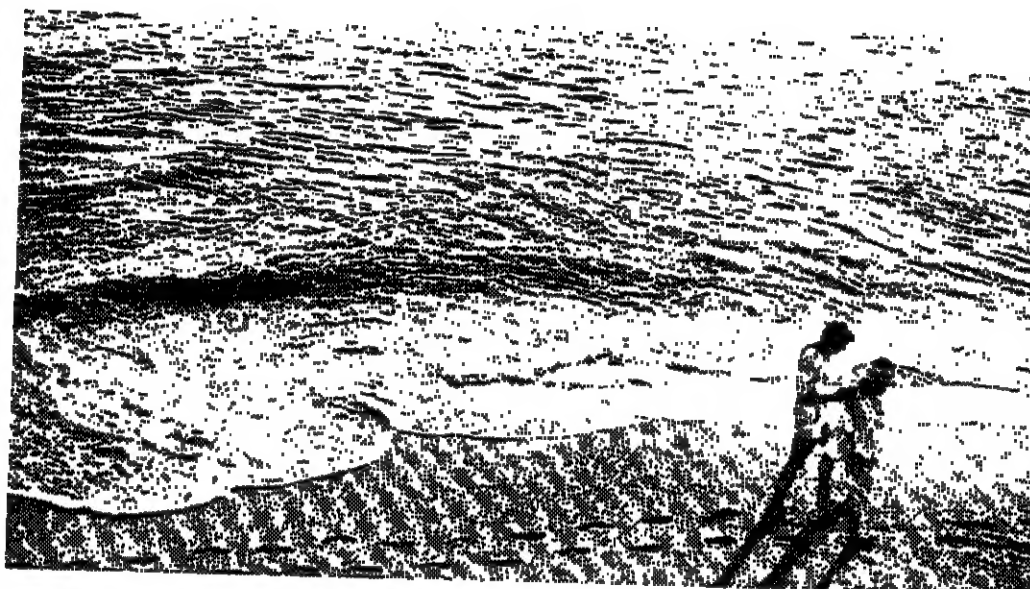
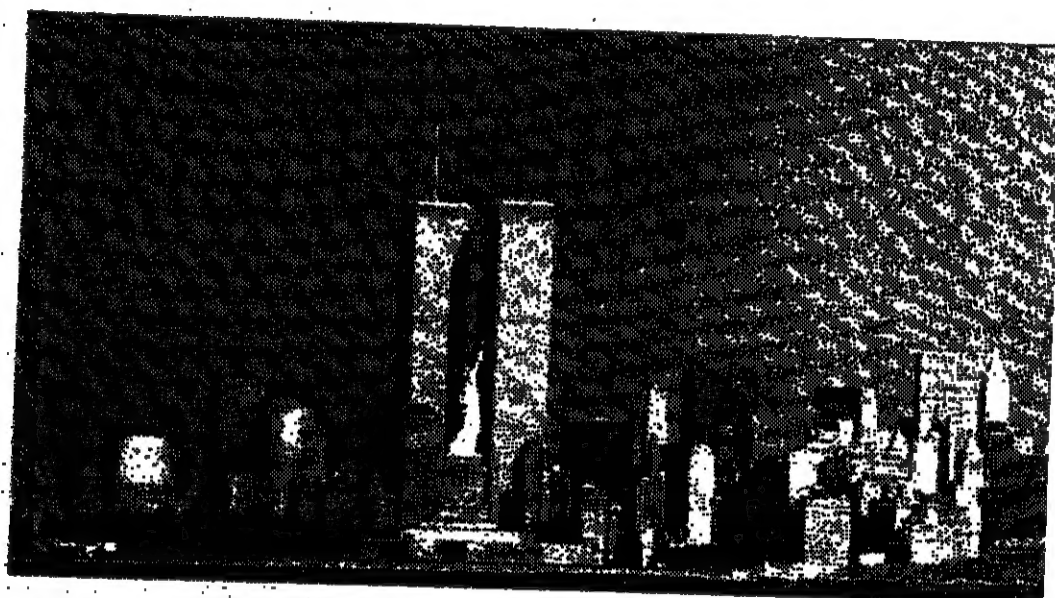
NAME (PRINTED) \_\_\_\_\_  
POSITION \_\_\_\_\_  
COMPANY NAME \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
POSTCODE \_\_\_\_\_  
TEL NO. (INC. EXT. CODE) \_\_\_\_\_  
FAX NO. (INC. EXT. CODE) \_\_\_\_\_  
APPROX. NUMBER OF EMPLOYEES \_\_\_\_\_  
Please indicate which you are most interested in:  
☐ ENVIRONMENTAL PROTECTION ☐ CONTRACT R&D  
☐ MANUFACTURING TECHNOLOGY ☐ PLANT PERFORMANCE  
☐ SOFTWARE ENGINEERING ☐ WASTE MANAGEMENT  
☐ SAFETY MANAGEMENT ☐ OCCUPATIONAL HEALTH  
☐ WATER MANAGEMENT ☐ PROJECT MANAGEMENT  
OTHER \_\_\_\_\_

AEA

AEA Technology ☎ 0272 768 976



# One Ticket. One Airline. All Of America.



If you're traveling to the United States, consider this: Delta Air Lines can take you nonstop to more cities in the U.S., from more cities in Europe, than any other airline in the world. And once you're in the U.S., Delta can take you on to more than 250 cities across America. Conveniently. Comfortably.

For reservations or information, contact your Travel Agent or Delta. No other airline gives you so much of America from so much of Europe.





## NEWS: UK

## US bid to win Belgian reprocessing deal alarms Dounreay

By James Buxton in Edinburgh and George Graham in Washington

MOVES by the US government to persuade Belgium not to send spent nuclear fuel for reprocessing in Britain are causing alarm at the UK Atomic Energy Authority's plant at Dounreay in Caithness, which sees the US action as a serious threat to its reprocessing operation.

Dounreay has a contract worth about \$2m with a Belgian research nuclear reactor to take 144 rods of spent fuel and reprocess them, separ-

ating uranium from other waste and returning both uranium and waste to Belgium.

But the US Department of Energy has offered the Belgian authorities an advantageous price for taking the spent fuel and storing it permanently at Savannah River, South Carolina. It is believed to have offered to indemnify against breach of contract.

In order to allow the speedy import of the spent fuel into the US, the US Energy Department has waived the rule requiring an envi-

ronmental review to be carried out before it can be imported.

The US believes it has an obligation to take back the fuel which originated in the US, and sees the move as reducing the trade in highly enriched uranium which could be used in nuclear weapons.

The Dounreay plant, where the experimental fast breeder reactor is due to close next year, fears that the US could make similar moves with other consignments, wiping out Dounreay's reprocessing business.

The Studiekentrum voor Kern-

energie which operates the BR2 reactor at Mol in Belgium is close to deciding whether to accept the US offer, which is understood to involve a price of about \$4,000 per rod. Dounreay believes the price involves a heavy subsidy and compares it to its own reprocessing cost of \$30,000.

The US Energy Department's decision to waive the environmental review in order to accept the uranium signals the acceleration of a return to its earlier policy of taking back spent nuclear fuel from European research reactors.

The aim of the policy was to wean foreign reactors away from highly enriched uranium supplied by the US. But the US stopped taking back spent fuel following a legal challenge in 1988. In July, however, the Energy Department bowed to a State Department warning that continuing to refuse the shipments could "undermine fifteen years of intensive US non-proliferation efforts."

"We are committed to taking this fuel back consistent with our obligation to our foreign partners and within the requirements of environ-

mental laws," Mr Thomas Grumbly, an assistant energy secretary, said.

For future shipments from reactors in countries including Germany, the Netherlands and Sweden, the Energy Department is expected to undertake a normal review of the environmental impact. US officials are concerned that under the current US-Euratom agreement they would have no control over the transfer of the reprocessed fuel within the EC, weakening the effect of the US's ban on new exports of highly enriched uranium.

## Britain in brief



## VAT on fuel compensation trimmed back

The government's compensation package to mitigate the effect of Value Added Tax (VAT) on fuel is likely to be "substantially less" than £500m, significantly less than expected, according to government officials.

It had widely been assumed that Mr Peter Lilley, social security secretary, had won a bigger package from the Treasury in order to low income families.

However, Mr Kenneth Clarke, chancellor of the exchequer, has decided to limit the amount available to sweeten the effect of the controversial tax, believing that it is sufficient to limit any potential Tory backbench rebellion.

The compensation leaves little, if anything, for those who fail to qualify for income support, dubbed the "nearly poor" by the chancellor, because their savings or incomes are slightly too high.

The decision to limit the amount of compensation for VAT on fuel is expected to be finalised at tomorrow's session of the cabinet, which will confirm the level of public spend in Mr Clarke's unified budget on November 30.

## G7 economies 'discouraging'

Economic developments among Britain's G7 trading partners offer "little encouragement" to UK policy makers, with growth in the US, Japan, Germany, France, Italy and Canada likely to average only 1 per cent this year, the Bank of England says.

While the Bank's quarterly bulletin sees little prospect of recovery stalling in the US, it warned that there are few signs of an upturn in Germany or Japan.

## Money supply figures increase

Money supply figures from the Bank of England added to evidence that consumer spending is the driving force behind the recovery.

Cash in circulation, or M0, rose a provisional, seasonally adjusted 5.4 per cent in the year to October, compared with 5.3 per cent in the year to September. This was the sixth consecutive monthly rise in the annual rate. Growth in narrow money tends to reflect a pick-up in retail sales. The rise in M0 in every month since May - when it was 3.5 per cent - has coincided with buoyant retail activity.

## Reserves rise by \$507m

The UK's official gold and foreign currency reserves rose by \$507m last month, taking reserves at the end of October to \$42,551m, compared with \$41,944m at the end of September. The underlying increase in reserves was \$32m.

The underlying change excludes a number of factors, including the proceeds from the quarterly tender of 3-year Ecu Treasury notes, proceeds from this month's tender of UK Ecu Treasury bills and maturing UK Ecu treasury bills.

## Receiverships up slightly

The number of companies entering receivership or administration rose slightly to 249 during October, according to figures from the official London and Edinburgh Gazette analysed by accountants Touche Ross. The figure reflected a continued decline in the number of company failures over the past six months, although it was up from a one-off low of 184 during September.

## Fall likely in apprentices

Numbers of apprentices recruited by the engineering industry are likely to fall by 24 per cent this year, according to the Sheffield Association of the Engineering Employers' Federation. The association, which covers the industry in South Yorkshire and the north Midlands, says its annual recruitment and skills survey shows numbers of craft apprenticeships have dropped. However, only 5 per cent of companies reported serious skill shortages.

## Unionists MPs seek bilateral peace plan

By David Owen

THE ULSTER Unionists could be ready to take part in talks on Mr John Major's proposed peace initiative for the province as long as London does not insist on a round-table format for the discussions.

Senior DUP MPs indicated they would discuss whatever proposals ministers put forward in bilateral meetings.

Mr James Molyneux, the DUP leader, was still declining to comment publicly on the British prime minister's initiative, but ministers have drawn comfort from his reticence.

Sir Patrick Mayhew, the Northern Ireland secretary, appeared willing, in earlier comments, to go along with a bilateral approach - at least in the early stages of new talks.

But he seemed to view this as a preliminary to a resumption of round-table discussions. Bilateral talks, he said, could be a way to "bank what is bankable from last time and to see what ultimately is a really serious obstacle. Then may be the time to sit around the table".

A larger barrier to fresh talks may come from the Democratic Unionists, whose leader, Mr Ian Paisley, yesterday insisted that the Social Democratic and Labour Party leader Mr John Hume must first end his talks with Mr Gerry Adams of Sinn Féin, the political wing of the IRA.

"Mr Hume has to say that his talks with Gerry Adams are over," Mr Paisley said. "And until Dublin deals with Articles 2 and 3 [of its constitution which covers its claim to the North], there is no point in sitting down with them."

Mr Paisley said the DUP was waiting for Mr Major's response to its proposals for breaking the "logjam". He said these dealt with both the cross-border relationship and internal institutional questions.

According to Mr John Taylor, the DUP's Europe spokesman, the British government should try to seize the initiative by discussing its plan in bilateral meetings with the province's four constitutional parties and then moving ahead to implement it.

Mr Taylor believes the plan's main elements should be the creation of a Northern Ireland assembly to administer laws that would continue to be made at Westminster and the formulation of "some new basis of co-operation" between Belfast and Dublin.

If these structures could be made to work effectively, he would expect the effectiveness of the 1985 Anglo-Irish agreement - which the DUP opposes for giving a foreign country influence over parts of the UK - to be restored. The DUP's influence at Westminster has been strengthened by the precariousness of Mr Major's 17-strong Commons majority, which has made him reliant on the votes of their nine MPs.

## Bank predicts slight rise in UK inflation

By Peter Norman, Economics Editor

THE BANK of England warned yesterday that inflation will rise in the months ahead, with a "slight possibility" that it will briefly exceed the government's 1 to 4 per cent target range in the first half of 1994.

The forecast, contained in the Bank's latest quarterly Inflation Report, helps explain recent statements by Mr Eddie George, the Bank governor, and Mr Kenneth Clarke, the chancellor of the exchequer, dampening expectations of an early cut in bank base rates from 6 per cent.

But the report also made clear that interest rates will not have to rise to offset any short term rise in inflation next year, provided the higher price level does not push wages higher. This is because the expected acceleration of inflation in 1994 will largely reflect the impact of higher indirect taxes and changes to local authority taxes, announced in the March Budget.

Indeed the Bank appeared to give approval to further tax increases in the forthcoming November 30 Budget. It urged the government to take action that would steadily reduce the Budget deficit.

This, it said, was crucial to sustaining the credibility of the government's anti-inflationary policies. "It needs to be understood," it said, "that one-off boosts to the level of prices, for instance, from higher indirect taxes, do not mean any slackening of anti-inflationary policy, and should not be regarded as permanent increases in the underlying rate of inflation."

Mr George and Mr Clarke will meet today for confidential

discussions in London on the present stance of British monetary policy and the likely implications of the Budget on November 30 for Bank of England policy.

In its report yesterday, the Bank noted that most year-on-year measures of 12 month inflation had risen since its last report in August.

"Headline" retail prices inflation rose to 1.8 per cent in September from 1.2 per cent in June while the underlying rate, which excludes mortgage interest payments and is targeted by the government, advanced to 3.3 per cent from 2.3 per cent.

But it said that slack in the British economy, together with moderate growth in demand and slow growth in broad money and credit pointed to the possibility of further reducing inflation over the medium term with growth of output picking up.

Excluding tax changes, the Bank expects that inflation will start falling early next year and could reach a level close to the middle of the government's target range in 1995.

The Bank's report provided no indication of whether it and the Treasury would lower interest rates in the event of a substantial tightening of fiscal policy in the Budget.

But the report makes clear that the Bank is satisfied with the present level of bank base rates in current circumstances. Indeed, its central forecast that sees underlying inflation at between 3 per cent and 4 per cent in early 1995 suggests that the Bank's top management considers that the UK's record in combating inflation is one of "so far so good" rather than a resounding success.

Lex, Page 16

## Major signals tax increases in Budget

By Philip Stephens, Political Editor

MR JOHN MAJOR yesterday gave the clearest signal yet that his government is planning further tax increases in the November 30 Budget.

Despite a cabinet agreement to freeze public spending in real terms for the next three years, Mr Major indicated tough control of spending and resumed economic growth would not do enough to curb government borrowing.

His comments coincided with signs of an upsurge of concern among rank-and-file MPs about the impact of tax increases already in the pipeline following the March budget.

Under the plans announced by Mr Norman Lamont, the

former chancellor of the exchequer, the tax burden is already set to rise by more than 250m next year and by more than 210m in 1995/96.

But Mr Major told the Commons that the government needed to make a "steady and sustained" move to reduce borrowing. That could be done in several ways. Controlling public expenditure was one and growth would make a contribution. But in a clear reference to tax increases, the prime minister then added "other matters" would also contribute.

Ministers and Conservative MPs who had been listening to Mr Major were unconvinced by Downing Street's argument that the prime minister was referring to plans already announced by Mr Lamont.

## Dockyard workforce could be cut by 40%

By James Buxton, Scottish Correspondent

THE LABOUR FORCE at the Rosyth naval dockyard in Scotland could fall by nearly 40 per cent to 2,500 by the year 2005, employees were told yesterday.

Staff were warned that their present pay and conditions will have to be renegotiated as the yard reduces costs and is fully privatised.

Babcock Thornthorn, which operates the dockyard on the Firth of Forth, yesterday held the first of a series of meetings to inform all 3,600 employees of the yard's prospects.

This follows the government's decision in June to award the contract for servicing Trident submarines to Devonport, while allocating Rosyth a workload of surface ships which will taper after 2000 and end in 2005.

Early next year the Ministry of Defence will seek tenders for the full privatisation of the two naval dockyards. Mr Allan Smith, Babcock Thornthorn's managing director, said Babcock intended to bid for Rosyth without Thornthorn EMI and was negotiating to take over Thornthorn's 35 per cent stake.

The workforce was told submarine work would continue to 1996 and would be followed by the refitting of two aircraft carriers as well as frigates and Type 42 destroyers. By 2000 the workforce was likely to fall to 2,900.

After 2000 Rosyth will have to compete for most of its naval workload and the labour force would drop to 2,500. The exact size depended on its success in improving efficiency and reducing costs.

The workforce was told that Rosyth's wage, salary and overtime costs were the highest in the ship refitting industry, and the company's contribution to the pension fund was twice that of most of its competitors.

## London asks Brussels for £630m aid for Merseyside

By Ian Hamilton Facey, Northern Correspondent

THE UK GOVERNMENT yesterday asked the European Community for about £630m over six years to help reverse the decline of Merseyside's economy.

It proposes to match the sum with contributions from public and private sectors, making £2.12bn for local economic reconstruction by the end of the century.

The money, which has to be finally negotiated over the next six months, would go to Merseyside under its new Objective 1 status, which gives the poorest and most lagging areas of the EC special help to catch up.

In the negotiations, the EC is likely to press for the UK public and private sectors to give more than 50 per cent of the £2.12bn.

The strategy document asking for the money suggests complete reversal of Merseyside's decline could be impossible.

Latest government figures show Merseyside's growth would have to be 5.4 per cent a year above the EC's average to reach the EC's aver-

age level of gross domestic product per head of population by the end of the century.

No specific projects are suggested at this stage. Rather, nearly 47 per cent of total spending would go on human resources, principally training, to attack the problem of a large block of unskilled male labour.

It would build on research traditions in its two universities and among existing companies, clear up dereliction and pollution, conserve agricultural areas around the conurbation's periphery and develop Merseyside's transport and port infrastructure to revive it as a "major gateway" between Europe and the rest of the world.

The Northern Ireland Office is to prioritise human resource development in its use of EC structural funds over the next six years, and is to emphasise the importance of cross-border links in the development of transport and energy infrastructure. Northern Ireland enjoys "Objective One" status for the disbursement of EC structural funds, which will entitle it to over 50 per cent, or 1.23bn ECU, of the 2.36bn ECU allocated to the UK for 1994-99.

## Contracts awarded for Tube project

By Andrew Basher

LONDON Underground yesterday awarded a further £400m of contracts for construction of the £1.9bn Jubilee Line extension, bringing to £800m the total value of contracts awarded in the past five days.

Further contracts are expected in the next week following government approval for the project.

Overseas companies are expected to win 40 per cent of civil contracts and about 20 per cent of electrical and mechanical orders. Mr Hugh Doherty, project director, said: "Even when contracts are with overseas firms, it is important to realise that the vast majority of the money - in excess of 90 per cent - will still be spent in the national economy."

The contracts awarded yesterday cover everything from

tunnelling, to ticket machines. These include two station and tunnelling contracts worth a total of £130m for the Aoki Soletanche joint venture, which includes Japan's Aoki Corporation.

On the equipment side, GPT, the UK joint venture between GEC and Siemens, has won a £60m communications contract, while German-owned O&K Escalators will supply lifts and escalators worth more than £50m.

A £50m contract for power, cabling and conductor rail was won by GEC Alsthom, the Anglo-French engineering group which last week clinched a £250m deal to supply 59 six-car train sets for the project. The orders are a boost for the Anglo-French group following last month's defeat in the race to supply equipment to British Rail under a special £150m leasing facility granted by the government.

## Milk quotas face UK bid for abolition

MRS GILLIAN Shepherd, agriculture secretary, yesterday pledged to fight for the eventual abolition of EC milk production quotas, which prevent the UK from being more than 36 per cent self-sufficient, writes Alison Matfield.

Addressing the Dairy Trade Federation, Mrs Shepherd said she would press member states to allow milk quotas to be transferred between milk producers in different countries.

"It would be logical and sensible to allow quota to migrate to those parts of the Community, like the UK, where milk can be produced most efficiently," she said. Meanwhile, Mr Jim McMichael-Phillips, president of the federation, accused Milk Marketing Board compulsory purchasing scheme, of awarding itself an unfair advantage against competing buyers in the run-up to the deregulated market next April.

## British Coal to announce mine closure proposals

By Michael Smith

BRITISH COAL, the state mining corporation, will today begin its long-awaited move to cut back the UK coal industry by announcing closure plans for Calderdale colliery in Nottinghamshire.

The expected announcement follows months of speculation that British Coal will close all 12 pits reprivatised by the government last March following a public outcry over their proposed closure.

In the five months to the end of British Coal's financial year in March, the company is likely to close at least a dozen pits.

In meetings with union leaders in Nottinghamshire yesterday, British Coal indicated some of the 12 reprivatised mines could survive if they out-performed the 19 pits to remain open. They underlined the extent

of the industry's problems by disclosing that coal burned in Britain's power stations is likely to be 7m tonnes lower than expected at 57m tonnes this year.

Coal consumption has fallen by 20 per cent compared with last year as nuclear output has risen 12 per cent, equivalent to 3m tonnes of coal, and gas turbine stations have taken away

the market for 4m tonnes of coal. British Coal said it was necessary to review further the Calderdale colliery which employs 640 men and has made losses of £6.3m this year.

At least one more pit closure is likely next week following British Coal's decision to convene a meeting next Tuesday to discuss Yorkshire region collieries.

Further meetings called for this month have raised concerns over the future of collieries such as Silverdale in Staffordshire, and Wearmouth in the north east.

Mr Neal Greatrex, general secretary of the Union of Democratic Mineworkers which represents most Nottinghamshire miners, criticised British Coal's tactics because many pit workers in the region are likely to face a three month wait before the corporation decides their future.

Handwritten note: "J.P. 11/5/93"

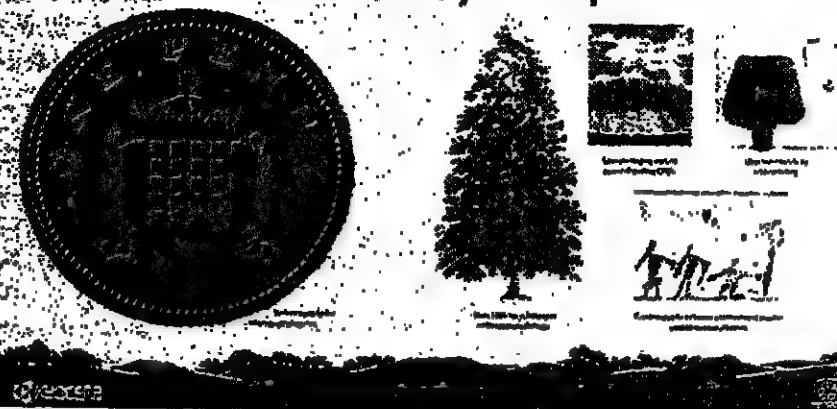


## BUSINESS AND THE ENVIRONMENT

A Japanese group's new printer may establish a trend, predicts Peter Knight

## A rebel among the copycats

When you save this, you help save all this.



Kyocera's advertisement for the Ecoys printer has been criticised because of Japan's poor environmental record

Buy a laser printer and help save the world. Strange as it may seem, newspaper readers throughout Europe are being urged to do just that in a series of advertisements placed by Kyocera, the Japanese company with a turnover of ¥420bn (\$2.6bn). Kyocera's core business is ceramics but it also makes a laser printer which it claims is environmentally more sound than those of its competitors.

The claims have caused scepticism among environmental campaigners and the electronics industry. The campaigners cite Japan's poor environmental record, especially its efforts to continue whaling and its high consumption of tropical timber. The trade thinks it is commercial suicide to try to sell products on their environmental credibility alone.

But Kyocera's printer, called the Ecoys, looks set to be in the vanguard of a wave of greener products from Japan, such as industrial environmental protection products and energy-saving devices. Consumer products are expected soon.

"Japanese industry is particularly sensitive to environmental issues because Japan has suffered from had pollution in the past. The Minamata mercury poisoning is just one example," says Yasuo Nishiguchi, Kyocera's senior managing director. "I can understand that Japan is perceived as different because of the whaling. But the Japanese attitude is changing."

It was Nishiguchi's decision to promote the Ecoys on environmental performance. He admits that some of his European distributors, especially those in Spain and Italy, think he is wrong.

"I was concerned in April 1992 when we started the promotion because everyone was saying that the printer's environmental performance was not enough to win market share. But our message to the market is now accepted and we have met our sales targets."

Kyocera is a minnow in the worldwide office printer market, which is dominated by Hewlett-Packard, with Canon providing the core technology for most printers. The Ecoys is comparatively slower, more expensive and does not produce the same density of print as the latest models from leading competitors.

Kyocera decided that if it was to compete, it needed something to differentiate its product from the rest. Ecoys's design provided the unique selling point. Conventional printers use a replaceable cartridge that contains the toner and the printing drum. The whole cartridge is thrown away when the toner runs out.

While this gives high-quality printing, the throw-away design is both profligate and environmentally

unacceptable. Canon and HP have responded with recycling initiatives, but these have been largely ineffective because dealers are not obligated to take back used cartridges.

HP is about to launch "re-engineered" cartridges and a take-back scheme for old printers, but its distributors are under no obligation to accept used products from customers.

Kyocera's design has a longer-lasting drum (using its ceramic technology) which is separate from the toner cartridge. The only part of the machine that has to be replaced regularly is the toner.

While marginally more expensive to buy, Kyocera claims the Ecoys is more economical to run. Each page produced costs two-thirds less than the industry average. By dispensing with the disposable cartridge the design holds the high environmental ground.

"Our printer differs from the rest because of its character that combines ecology with economy. Our competitors cannot address this," says Nishiguchi.

The competitors, understandably, do not want to be drawn on these arguments. But it is clear they are doing everything possible to

improve the environmental profile of their products. New models are, for example, far more energy efficient, are partly made from recycled materials, are packed in recyclable materials and accept recycled paper.

Pressure to improve environmental credibility comes from diverse directions. Certain government purchasing policies now insist on the best environmental option. Kyocera recently won a big order for 1,000 printers from the German Federal Office for the Recognition of Foreign Refugees in Germany, a subsidiary of the labour ministry.

The US's Energy Star labelling system, which promotes energy efficiency, has driven computer and printer makers to reduce the energy consumption of their products if they want to win federal government contracts.

Some big companies are also beginning to demand environmentally better products from their suppliers. Kyocera's heavy promotion - paid for by corporate headquarters to support its marketing in other countries - has underlined the issue in the printer market.

Nishiguchi says the Ecoys conforms with Kyocera's avowed commitment to make products that benefit society and "make a positive contribution to planet Earth".

"The Japanese have a desire to be leaders in everything they do and the environment is one such area. They are very sincere about it but they are also keen to extract competitive advantage," says Alex Maybrook-Walker, a Japanese specialist with ERM, the international environmental consultancy.

Japanese trade organisations, backed by government funds, have recently commissioned research into environmental reporting, waste recycling and disposal methods for used electronic equipment. Much of this work, according to Maybrook-Walker, is linked to finding new markets.

Japanese companies clearly see opportunities to sell products into the emerging environmental markets in the west. Kyocera's stab at capturing a small part of the printer market by extolling its green credentials could be an early warning to western manufacturers who feel the heat has gone out of the environmental market.

"A lot of new green products will come out of Japan soon," says Nishiguchi.

## Haunted by Britain's industrial heritage

David Lascelles looks at a new report which proposes ways of cleaning up contaminated land

The twin issues of environmental liability and contaminated land are fast becoming some of the most contentious for the business community in the UK. Yesterday's proposals from the Confederation of British Industry are part of an increasingly concerted effort by business, banking, insurance and the property sector to fend off what they fear could be crippling bills.

"Business interest in this issue is strong and rising," said Howard Davies, the director general. The government is currently conducting a review of the problem after being forced by industry pressure to drop a plan for a contaminated land register earlier this year. This could lead to fresh proposals, possibly a green paper, next year.

The 32-page CBI report is blunt about the problem: "Liability for remedying environmental damage may well become the key environmental challenge facing business in the 1990s." It begins, making clear that the fundamental question is who pays for it. The report was assembled by a working party of CBI members headed by John Wybrew, the director of public affairs and planning at Shell.

As the CBI sees it, the UK has an exceptionally long industrial heritage and this has left it with more contaminated land than probably any other country. But the business community does not accept that it should bear the cost of cleaning it all up, or that every hectare of it even needs to be cleaned up to the same pristine standard.

The report is particularly critical of the legal and regulatory uncertainties that surround environmental liability, and especially an EC green paper issued last May that would try to harmonise it across the whole community on the basis of strict liability.

Wybrew warns that these uncertainties are causing land to be left derelict and deflecting demand for industrial sites into greenfield areas. "We want to harness the wealth creation

process to environmental improvement," he said yesterday. The Royal Institution of Chartered Surveyors has already denounced the proposal as "unfair and impractical".

There are also side issues about the extent to which banks would be liable to foot the bill for contaminated land owned by clients they lend money to and the role of pollution insurance.

The CBI accepts that business should pay for any environmental damage incurred in the future, provided there is a clear and fair legal framework. But the real problem lies with past damage affecting as much as 200,000ha, which would cost up to £1m per hectare to put right, or a total bill of £200bn. A lot of the pollution

remedial action. Third, the government and the EC should explore grants as a way of paying for clean-ups. "Mixtures of public and private-sector funding will be the most effective way to bring land back into use where it is most needed," the report says.

But having made this statement, the report is strikingly vague about how the private sector should play its part. It offers no estimates of how big a contribution business might make, how it could be made and by whom, although the report lists in detail the government agencies who might be able to offer money and also gives a run-down of the amount of public money available for land reclamation.

The CBI has rejected the idea of a compensation fund. John Cridland, the environment director, said yesterday: "The past is the consequence of our industrial heritage, therefore the only appropriate way to pay for it is through the exchequer. I cannot envisage any compensation arrangements that would be fair and equitable."

This weakness in the report was quickly seized on yesterday by environmental campaigners who accused the CBI of trying to wriggle out of its responsibilities and push the cost on to the taxpayer. They also said that industry was effectively trying to secure a competitive advantage in Europe at the expense of the public and the environment.

Friends of the Earth said that a tax should be levied on all potentially polluting industries to create a fund to clean up land where the polluter cannot be found. It also favours a contaminated land register and strict liability.

But the picture is less clear cut than that. Local authorities, who are very close to the problem, have had difficulty forging a common position on who should pay.

"There are no easy answers" said an official at the Association of Metropolitan Authorities.

### A lot of the pollution is historic; no one knows who was responsible, the land may have changed hands many times

is historic; no one knows who was responsible, the land may have changed hands many times. Much of it was also legal when it occurred.

Here, the CBI makes a number of proposals.

First, the government should establish priorities for cleaning up contaminated land. Perhaps only 1 to 3 per cent of land needs urgent action. It should also set standards because the requirements for different types of land can vary widely. Dutch soil standards are widely used but these were designed for a particular set of national circumstances and also require land to be improved to a point where it can be put to any use, however sensitive. The CBI thinks that is going too far.

Second, the government can help by linking remedial action to the planning process and by encouraging development of new technology for measuring contamination and carrying out

## PEOPLE

### Ex-surgeon to correct the balance at UBS healthcare

One of the more familiar names in the healthcare business has joined UBS as a director, corporate finance. John Heap trained as a surgeon, specialising ultimately in interventional treatments in obstetrics and gynaecology. But since 1980 his instruments have been rather more metaphorical than practical.

Heap has spent the past 13 years in a variety of senior European healthcare positions, all of which have primed him for his new role, which will be to assist UBS to steal a march on its competitors all fiercely engaged in staying in the middle of the new business stream being generated by mergers,

flops and buy-outs in the now tightly squeezed pharmaceutical sector.

"One of the principal issues facing the pharmaceutical industry now is research and development costs, which cannot persist at the level they have reached," says Heap.

"Globally, some \$30bn is annually spent on R&D, which is an unsustainable figure when compared with generated sales of perhaps \$150bn. The ratio is wrong. Pharmaceutical companies will either have to trim their R&D costs, re-focus their research, or increase sales enormously. The latter is very difficult, the first is very easy but ineffective. What needs to

happen is for companies to re-focus their efforts and minimise their duplicated efforts," argues Heap.

Heap's expertise has been gained through broad experience. On leaving the national health service, he joined the Belgian company Janssen Pharmaceutica as a senior medical adviser. He went on to join the French company Merieux, as medical director, helping establish it in the UK.

In 1988 he joined Lorex Pharmaceuticals as the board director covering Italy, the Netherlands and the UK, and moved to Evans Healthcare in 1990.

UBS has busied itself in the healthcare market recently,



recruiting a couple of analysts in London as well as one each in New York, Tokyo and Zurich. It recruited Heap in the belief that the pharmaceutical industry is about to undergo the same sorts of upheaval over the next decade as befell the computing industry in the past two.

■ Ian Johnston, currently md of Schweppes Cotte's, a subsidiary of CADBURY SCHWEPES in Australia, is appointed to succeed David Brooks as md of Cadbury when he retires on January 3.

■ Mike Burgess, formerly finance director of Fisons horticultural division, has been appointed director - internal audit of LUCAS INDUSTRIES; Peter Skeggs becomes group treasurer.

■ Noreen Wright has been appointed company secretary of NORTHERN IRELAND

ELECTRICITY; she succeeds Gerald Nickell.

■ Richard Stubbs has been appointed finance director of MERIEUX, the UK subsidiary of Pasteur Merieux Serums et Vaccins.

■ Michael Feiser has been appointed senior vice-president of personnel for Europe at PEPSCO; he will be based in London.

■ Gerd Schlentz has been appointed finance director of KWO Kabel GmbH, a subsidiary of BICC CABLES; he will be based in Berlin.

■ Keith Smith has been promoted to the post of UK sales director of IPC Information Systems.

■ The Hon David McAlpine and Callum McAlpine have been appointed to the board of NEWARTHELL, holding company for Sir Robert McAlpine; Kenneth McAlpine has retired.

■ Ian Knott, deputy md of Sira Test & Certification, has been appointed chief executive of SIRA Certification Service on the retirement of Terry Flanagan.

### Constructive careers

■ Malcolm McEneaney, chairman of Amec Construction, has been appointed to the main AMEC board; he is responsible for the group's building and civil engineering activities throughout the world.

■ Chris Randle has been appointed md of JOHN MOWLEM Construction's Northern Region which comprises North Wales, North West England, Yorkshire and the North East.

■ David McAlpine and Callum McAlpine have been appointed to the board of NEWARTHELL, the holding company for Sir Robert McAlpine; Kenneth McAlpine has retired.

■ Donald Bethune (below left) has been appointed director of technical services at the LONDON DOCKLANDS DEVELOPMENT CORPORATION; he succeeds Tom Hoke who was seconded from Bechtel as director of infrastructure programmes.

■ Paul Ahearn (below right), formerly md of Norwest Holst Construction, has been appointed a director of WILTSHER.



### Curry spices up meat market

A Northumberland farmer by profession, Don Curry, 48, has been appointed by the government as acting chairman of the Meat and Livestock Commission; he had been deputy chairman of the MLC since December 1991. The MLC's former chairman, Geoffrey John, has moved to take up the post of chairman with Food From Britain.


Chairing the MLC is a three-day-a-week job. Besides his farming interests, Curry is chairman of a livestock marketing co-operative based in Ponteland, also in Northumberland. He first joined the MLC in 1988, having attracted ministerial notice through his work on the council of the National Farmers' Union. Although not full-time, the MLC is nevertheless a demanding job, with "a lot of public relations, meetings and com-



mittees to attend, representing the MLC at various events," says Curry. He describes it as "a very important body with an annual budget of £2m for research and development projects aimed at improving the long-term efficiency of the industry". Probably the most publicly

visible activity of the MLC in recent months has been its controversial advertising campaign using the slogan "Meat to live". "I don't think that is taking things too far," says Curry. "We take a responsible view of our advertising. There is a lot of nonsense talked about meat-eating. There is an awful lot of advertising which one could look at and ask if what it is saying is actually correct."

Curry says that "when and if" he was asked by the government to stay on permanently as chairman he would have to give serious consideration. For the moment Gillian Shepherd, the new agriculture minister, has just begun to get her feet under the table; the temporary nature of Curry's MLC post may well change once Shepherd has sorted out a few sheep from goats.



FINANCIAL TIMES CONFERENCES

## WORLD ELECTRICITY

London - 16 & 17 November 1993

This annual meeting - the seventh in a series arranged jointly with Power in Europe - will provide a high-level forum for utilities and their regulators, as well as suppliers of equipment and services to the power business, to discuss how the electricity industry is responding to a more competitive environment.

Issues to be addressed include:

- \* Third Party Access
- \* Privatisation in emerging markets
- \* Tariffs and pricing in the CIS
- \* Fuel sources in a changing environment
- \* The US experience of DSM

Speakers will include:

<p><b>Mr Nicholas Argyris</b> EEC</p> <p><b>Dr Rolf Bierhoff</b> RWE Energie AG</p> <p><b>Mr Gianfranco Castelli</b> ENEL SpA</p> <p><b>Mr J Michael Austell</b> Mission Energy Limited</p> <p><b>Mr Robert J Saunders</b> The World Bank</p>	<p><b>Mr Tan Aixing</b> Ministry of Electric Power, PRC</p> <p><b>Mr Jaap R van Deventer</b> Eskom</p> <p><b>Dr Mary D Archer</b> National Energy Foundation</p> <p><b>Mr Jean-Pierre Jonchère</b> Beicip Franlab</p> <p><b>Professor Jan Popczyk</b> Polish Grid Company</p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

A FINANCIAL TIMES CONFERENCE in association with POWER IN EUROPE

### WORLD ELECTRICITY

☐ Please send me conference details  
☐ Please send me details about marketing opportunities  
☐ Please send me details on Power in Europe

Financial Times Conference Organisation  
102-108 Clerkenwell Road, London EC1M 5SA  
Tel: 071-514 9770. Tlx. 27347 FTCONF G.  
Fax: 071-573 3975/3969

Name Mr/Mrs/Ms/Other \_\_\_\_\_

Position \_\_\_\_\_ Dept \_\_\_\_\_

Company/Organisation \_\_\_\_\_


Address \_\_\_\_\_

City \_\_\_\_\_

Post Code \_\_\_\_\_ Country \_\_\_\_\_

Tel \_\_\_\_\_ Tlx \_\_\_\_\_ Fax \_\_\_\_\_

Type of Business \_\_\_\_\_


**FINANCIAL TIMES CONFERENCES**



## MANAGEMENT

# Rewards for the top performers

David Goodhart on the curious appeal of UK performance-related pay schemes

Performance-related pay in the UK is a puzzle. There is overwhelming scepticism about its effects on performance, yet its progress seems unstoppable.

Over the past few years this may owe something to government patronage as PRP has been, or is being, imposed on the civil service, the NHS, the education system and now the police force.

Yet government patronage is only part of the story. A 1991 study by the National Economic Development Office found that about half of all private-sector organisations in Britain were using PRP for some staff and more than one third had been doing so for more than 10 years.

Despite its long pedigree there is considerable muddle about what it is and how widely it has spread. PRP – not to be confused with profit-related pay, which attracts various tax advantages – could cover anything from piece work for manual workers, one-off merit pay schemes, or simply the promotion of good performers to higher-paid jobs. But in practice it has come to describe the linking of all, or part, of an individual's pay rise to a formal performance appraisal system.

The most recent research from the Institute of Manpower Studies finds that more than two-thirds of all UK organisations now have individual-based PRP for at least some of their staff. The majority of schemes apply to managers or valued "core" staff, but the trend of the past few years has been for the system to trickle down to white-collar staff.

It is still relatively unusual for manual workers, although Nissan's British assembly plant is an exception, and the real extent of PRP can be easily exaggerated. A glance at the government's latest New Earnings Survey shows that productivity/incentive pay for all non-manual employees increased from 2.6 per cent of gross earnings to 3 per cent between 1992 and 1993.

It is difficult to tell how much of that 3 per cent is PRP as the NES does not break

down incentive pay into different categories. But even if PRP accounted for a good part of it, it would still be far less than the productivity pay arrangements that in 1993 accounted for 5.3 per cent of manual workers' pay.

Also, although two-thirds of all organisations may have some form of PRP, when settlements within organisations are examined, as they are by the Industrial Relations Services pay databank of more than 1,000 such groups, PRP coverage falls to only 20 per cent.

Nevertheless, PRP is on the march in the private and public sectors, and most companies in sectors such as building societies, banks and insurers have PRP for their staff and usually for the whole pay rise.

Little work has been done on evaluating the effectiveness of schemes but, according to the

## The introduction of PRP is a powerful signal for a broader change of business culture

last IMS case studies, PRP does more to demotivate than to motivate staff and neither helps to retain high performers nor dispatch poor performers. Other studies find that the motivational effects of PRP are, at best, neutral.

What explains its continuing popularity? First, for government ministers and private-sector managers the introduction of PRP is a powerful signal for a broader change of business culture. And it is often accompanied by other moves towards individualising employer-employee relations – such as team-briefings, profit-sharing and health schemes.

Second, as organisations become "flatter", stripping out layers of management, the ability to reward people through promotion becomes more complex. PRP, and a widening of pay scales, is one answer.

Third, as Louis Wustemann of the IRS points out, although PRP companies often seem to make higher pay awards than

non-PRP companies, many of them are actually making substantial savings in salaries. That is because a surprising number of companies in sectors such as finance and chemicals still have service increments which can pay people about 2 per cent a year, as they move up seniority scales, on top of an annual pay rise. With the introduction of PRP these service increments are usually abolished.

There are more traditional arguments in favour of PRP which few people disagree with in principle. Why pay the same rise to someone just avoiding the sack, as to someone who is making a substantial contribution? Also, it is inefficient to promote someone from something they are good at to something they might not be good at because it is the only way of paying them more.

The principle is fine but, as Wustemann says, PRP is something that is easy to do badly. The fair and accurate measuring of individual differences in performance is an art still in its infancy.

Most personnel managers say it is easier to measure performance for senior staff with some autonomy or for clerical staff with clearly defined functions. But for the growing number of middle-ranking, white-collar staff, things are more complex and many such employees believe themselves to be victims of bias in line-manager appraisals. There is also some doubt that individuals will increase their effort to gain more reward, especially as the sums involved are usually quite small.

Alan Wild, head of employee relations at Guinness, says "PRP must be only one piece of the motivational matrix."

Most practitioners believe PRP is not a re-incarnation of the bogus productivity deals of the 1980s. There are, however, limits to its progress as teamwork for both blue- and white-collar workers switches attention to group reward systems. For senior staff it will, according to Wild, continue to play a useful role in "focusing" efforts.

Further articles on PRP will appear in the next few weeks.

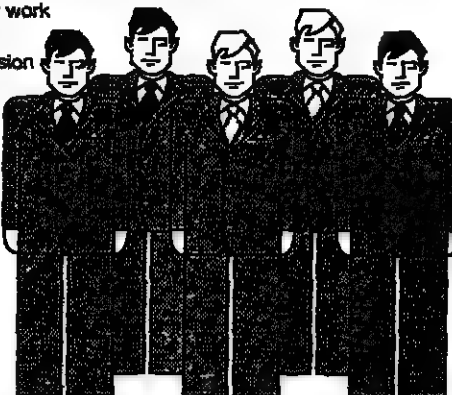
### Individual performance

Individual performance-related pay (IPRP)  
Piece-rate  
Executive bonus  
Measured day work  
Sales commission



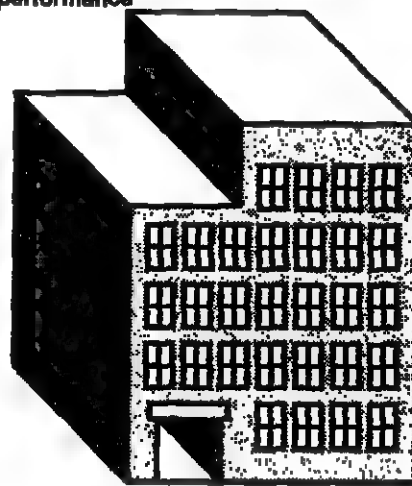
### Team performance

Team bonus  
Gainsharing (ie cost-effectiveness plans)  
Measured day work  
Piece-rate  
Sales commission



### Organisational performance

Profit-sharing  
Share options



Source: IMS Survey

Lucy Kellaway asks if incentive plans are really all they are cracked up to be

At your greens and then you can have an ice cream. Do your homework and then you can watch television. Work harder and then you can have a bonus.

The notion of offering a reward for good behaviour is embedded in Anglo-Saxon culture. Parents do it and so do companies. Performance-related pay, bonuses or other forms of incentive scheme are used by most British and US companies. Those that do not are regarded as being in the managerial dark ages.

Imagine the outcry when a respected management theorist suddenly announces that all such reward systems are bound to fail and should therefore be removed. Writing in the latest issue of the Harvard Business Review, Alice Kahn argues that at the heart of performance pay lies a mistaken view of what motivates people: rewards do not change attitudes or commitment to any task. They simply, and temporarily, change what we do.

Kahn draws on dozens of studies in the US which show that at best rewards buy short-term compliance. The more complicated the task, the more ineffective the reward. He argues that incentives are equally hopeless at motivating senior and junior employees. Both on the shop floor and in the boardroom rewards are powerless to increase results. Surveys have failed to establish any link between top pay and company performance.

Kahn cites the example of a mid-western manufacturing company, where an incentive system for welders was suddenly dropped. Productivity fell initially, but after a few months was back where it had been before.

Six reasons are advanced to support his thesis:

- Pay does not motivate people. Studies have shown that if you have somebody's pay you demotivate them, but if you double it the reverse does not happen. Moreover, if you ask people what matters to them most in their jobs, money usually comes well down the list.
- Rewards are like punishment. Managers have long

known that punishment is ineffective, but rewards are just as manipulative of employee behaviour. Those who do not get a reward may feel as if they have been punished.

- Rewards destroy co-operation between employees in the scramble to compete for them. They also encourage people to suck up to the boss.

- Rewards mask what is happening in a company. Managers frequently use rewards as a substitute for dealing with the problems that cause low productivity. It is easier to offer a reward than to treat workers well, to give them feedback, support and freedom.

- Rewards discourage people from being imaginative and from taking risks. Instead, employees focus narrowly on the criterion for the reward, and may even falsify records to ensure the reward is theirs.

- Rewards divert attention

## Rewards destroy employee co-operation in the scramble to compete for them

from the job in hand, by encouraging workers to concentrate on the reward rather than on the work. If the work is seen as a means to an end, it becomes less desirable.

Kahn is not a lone voice. Other management thinkers in the US – such as Robert Frick, a composer turned management guru – are reaching the same conclusion. He argues that people are really looking for involvement, not for reward. "If you have been raised to think what's in it for me, you can't be involved. Companies should encourage people to play the game for its own sake," he says.

Kahn's article, however, has drawn an angry howl from more traditional management thinkers. Those who make a living from selling such incentive schemes have been left apoplectic with rage. G. Bennett Stewart III of Stern Stewart, a financial advisory firm, fears the very future of capitalism is at stake. He has written

to the Harvard Business Review protesting that: "A world without A's, praise, gold stars or incentives? No thank you, Mr Kahn. Communism was tried and it didn't work."

Jerry McAdams of the US consultancy Performance Improvement Resources claims that "Kahn's article is a provocative exercise in attention getting and niche marketing".

Others have taken issue with parts of Kahn's thesis, while admitting that there is good sense in some of it. Andrew Leiby of the Washington DC-based consultants The Performance Group argues that although money is not a motivation it may be valued by employees as a sign that employers appreciate their work.

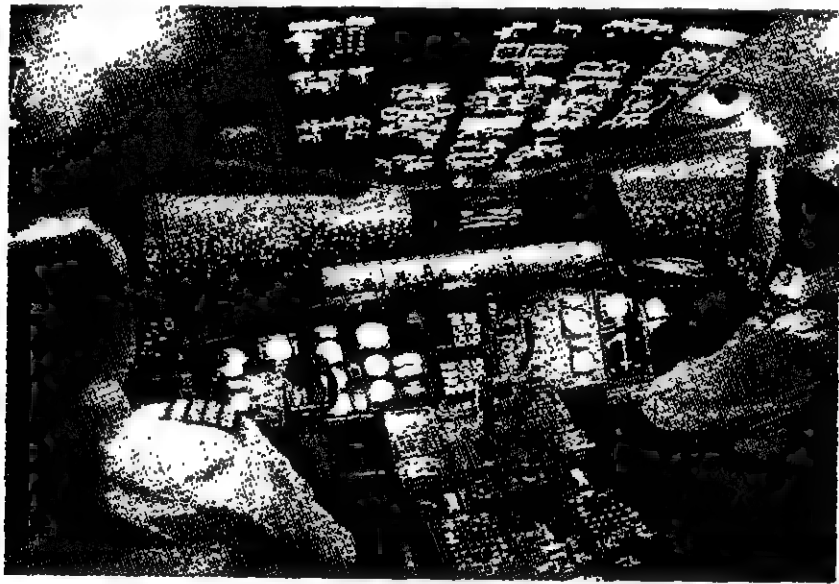
Still others dispute the notion that concentrating on money detracts from the job itself. One reader quotes the poet Anne Sexton: "I am in love with money, so don't be mistaken. But first I want to write good poems. After that, I am anxious as hell to earn money and fame and bring the stars all down." Another disagrees that incentives encourage employees to undermine each other, arguing that rewards for teamwork are the answer.

It is one thing to dismiss incentives, it is another to come up with an alternative system. Michael Beer, professor at Harvard Business School, assumes the answer cannot be to pay everyone the same and offer his own solution. Managers should not use pay as a means of motivating, but should pay people equitably. There should be no quarterly or annual bonuses. Instead, he argues, the best 10 per cent of employees should be rewarded for outstanding, long-term performance. "The worst performers should be 'weeded out'. All the others should be praised and have their contributions recognised."

Rather than hand out rewards, Kahn believes companies should offer employees better job content, a share in the decision-making and a climate of support. But there is no hope of that as long as they go on treating their people like pats.

## Managing a business is like flying an airliner.

### It's just more difficult.



Like a pilot, you always have to think in three dimensions. You must be skilled in a range of specific functional areas. You have to understand how different departments of a company interact to be able to shoulder increasing responsibility. In addition, to be able to effectively manage in the years ahead, you need to appreciate the changing role of business in society.

If you are about to move up to a general management position or start a new enterprise, you will need to be competent in all these dimensions of management. Our unique *Program for Executive Development* is designed precisely with this in mind: in ten\* intensive weeks, you will cover a very wide range of specific subjects and issues. At the same time, a constant stream of exercises based on real-life situations will help you assemble a comprehensive tool kit for general management and give you the confidence to use it effectively.

If you are ready for your business career to take off, call or fax for a program brochure.

\*You can attend one ten-week session or two periods of five weeks with a six- or twelve-month break in between. Starting dates are January and August.

Fee: 38,000 Swiss francs



INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT

Chemin de Bellerive 23, PO Box 915, 1001 LAUSANNE, Switzerland Telephone: +41 21 618 02 55 Fax: +41 21 618 07 07

## ANY TIME ANY PLACE ANY SHARE....

### Instant access to up-to-the-minute share prices from anywhere in the world.

Whether you're doing business in Berlin or hatching deals in Hong Kong, FT Cityline International can link you with all the UK stock market information you need:

- up-to-the-minute share prices
- daily unit trust prices
- regularly up-dated financial reports
- a confidential portfolio facility

FT Cityline has proved invaluable to business people and investors in the UK for years. And now it's available from anywhere in the world.

If you would like further details fill in the coupon below or call the FT Cityline Help Desk on +44 71 873 4378. You'll be amazed how little it costs to have instant access to this unique service

FINANCIAL TIMES  
**CITYLINE**  
INTERNATIONAL

Please send me details for FT Cityline International

Name .....

Organisation .....

Address .....

Post Code..... Tel No.....

FT Cityline International, Number One Southwark Bridge, London SE1 9HL Tel + 44 71 873 4378



## Television/Christopher Dunkley

## Try the taste – for starters

The trouble with television these days is the sheer quantity. Take a break and when you come back there is so much to catch up on that the benefit of the holiday rapidly evaporates. You can expect no sympathy, of course, if you complain about being paid to watch television, yet a sense of panic can set in when you sit down with the *Radio Times* at the beginning of a week and realise just how much has to be watched. Even with three video recorders for evenings when there is a four-way clash at 9.30, you still find yourself hunched, red-eyed on the old green sofa, zapping from one channel to another, forever convinced that you are missing a masterpiece somewhere. The danger is that in trying to get a taste of everything you do not get the true flavour of anything. Still, in Week 1 of the return there was really no choice: widespread sampling was a necessity.

**MONDAY.** BBC1's *Watchdog* under its new presenter Anne Robinson looks as though it may be turning into yet another example of a "people show" instead of the consumer series it used to be, but we shall need to see more to be sure. BBC2's *The Incredible Shrinking Politician* presented, of course, by Martin Jacques. Of course, because nothing is so slavishly trendy as television, and last winter Jacques has taken over from left winger Peter Kellner as favour of the moment for political programmes. He is personable enough but currently ridiculously over-exposed. Moreover his thesis here, that politics is in long term decline, seems doubtful. More likely a blip on the historical graph.

**TUESDAY.** Anyone who thought that the Beagle shows reached the limits of cringe-TV ought to glance at *The Hypnotic World of Gianni MacKenna* on ITV. It is difficult in a free society to defend the now defunct IBA rule banning hypnotic programmes: if the victims are willing and paid who are we to set us against? Yet I would not more watch this voluntarily than put a victim in the stocks. *Without Walls* on C4 has become just about the best current series on television. The item "Reith to the Nation" seems unsure whether to tackle the condition of the BBC or the weirdness of Lord Reith as revealed by fan

McIntyre's recent book, but it succeeds moderately in both. Tony Parsons' blast at Kubrick for banning *A Clockwork Orange* from British screens is an excellent example of the arts polemic we have come to expect from this series. It looks as though the second batch of *Between The Lines* will confirm this BBC1 production as much the best current police series... even if the idea of a cabinet minister removing his secretary's bus in front of a brightly lit un-curtained window is laughable. You might have thought it difficult to make a character as odd as Houdini vaguely boring yet *Omni-bus* manages it. *Pirates And Emperors - Who Is The Terrorist?* on C4 has a single unoriginal point to make but makes it well: that today's vilified terrorist is tomorrow's respected government minister.

**WEDNESDAY.** The best comment about Margaret Thatcher's appearance in *Thatcher: The Downing Street Years* is made by Kenneth Clarke during an engrossing *Late Show* on BBC2 which discusses history as print and as television. She is like a jet turbine, he says, while an internal combustion engine can work at various speeds, she is only capable of operating at 30,000 lb thrust. No book will ever achieve what BBC1's *Thatcher* series is managing in conveying the attitude, tone and pressure of the former prime minister. On the other hand it is hard to see the value of *The Almost Complete History Of The 20th Century* on C4 which dubs "funny" lines onto archive newscast.

**THURSDAY.** The producers of *The Music Game* on C4 seem to have noticed that *My Music* was hugely popular for many years even though the participants were not great musical experts. Unfortunately they appear to have missed the fact that Muz, Norden and the others were charming, funny and unusually inventive. BBC2's *Red Dwarf* has always contained the sort of jokes which delight first year undergraduates after they have drunk 18 Budweisers and, judging from today's episode, this sixth series is not even up to that standard... yet who would miss it? Gags in deep space make such a refreshing change from Ding Dong Honey I'm Home. How splendid to discover that I did miss today's episode of *Absolutely Fabulous* on its



'Reith to the Nation': Timothy West as Lord Reith in Channel 4's 'Without Walls'

first transmission: with Jennifer Saunders being so clever and Joanna Lumley proving not just outrageously fanciable but such a natural comedian it is a superbly entertaining series. Lumley's dismount from the motorcycle was the highlight of the week. In *World Chess* why does C4 not tell us the score to date? Could it be such a disaster for Short that they do not dare? Having been away perhaps I shall never know.

**FRIDAY.** ITV's drama series *Demob*, starring Griff Rhys Jones and Martin Clunes as a couple of inept comedians in the postwar music hall, is workmanlike and contains a straight (well, semi straight) performance from the late great Les Dawson. Yet the time drags and I cannot see myself watching next week's episode. *Microtrash* on C4 with Antoine de Caunes and Jean-Paul Gaultier competing in far-far-nese arguments competition and items concentrating on sexual trivia (the public hair stylist, a new show at the Folies Bergère) is the sort of easy time-passing programme which you watch into the evening while there is nothing worth while elsewhere. *Late Night With Conan O'Brien* on BBC2 proves that, with Johnny Carson gone and David Letterman switching net-

works, the American chat show is in deep trouble. O'Brien is awful and the show, because it seeks nothing from its guests, even worse. Pessimistic reports about Danny Baker's new show filtered back as far as Umbria, but surely his series must be better than this.

**SATURDAY.** It is, in fact, *Danny Baker After All* (BBC1) is very good Saturday night entertainment, and if they manage to find one guest in six who is as good a raconteur as Rik Walsman today, this could become as big a draw as the early *Parkinson*. Earlier in the evening *Harry* looks like a too-carefully contrived vehicle in which Michael Elphick can merely carry on from his *Boon* character, this time as a rough diamond journalist; formula drama which may sustain the ratings but will never tell us anything we did not know about the human condition. D.A. Pennebaker's documentary on BBC2 about the Clinton election staff, *The War Room*, is good but not great. We have seen much of this sort of material and you have to do something more unusual to stand out nowadays.

**SUNDAY.** In the early evening there are three documentary series which could keep me hooked for weeks. *Theatre School* on BBC2 may be at its most fascinating in this

opening episode with the auditions and some pretty brutal interviews, but it is very nicely edited and promises much. If, like me, you have bought and driven old German motorbikes then you will devour every minute of C4's *Classic Motorcycles* and if not you will probably be bored to tears; it seems to be dictated entirely by the availability of archive footage. *Locomotion* on BBC2, however, is not solely for steam train freaks since it seems far more concerned with the social implications of the development of the railways, which makes a change. With *Scarlet And Black* (what happened to the definite articles?) BBC1 faces a tough job: proving that it really is best when it comes to the classic literary adaptation. Stephen Lowe's decision to insert Napoleon into his dramatisation as a sort of Tinkerbell, flying around offering our hero terse advice, scarcely makes matters easy. But Stendhal was a good storyteller, the casting of Allos Krige as the beautiful young wife, ripe for a love affair, is spot on, and, apart from some nasty background music, all the ingredients are in place: carriage, outsider to top hats, sylvan idylls straight out of a magazine commercial, and plenty of upstairs-downstairs jiggery pokery. A hit.

**SUNDAY.** In the early evening there are three documentary series which could keep me hooked for weeks. *Theatre School* on BBC2 may be at its most fascinating in this opening episode with the auditions and some pretty brutal interviews, but it is very nicely edited and promises much. If, like me, you have bought and driven old German motorbikes then you will devour every minute of C4's *Classic Motorcycles* and if not you will probably be bored to tears; it seems to be dictated entirely by the availability of archive footage. *Locomotion* on BBC2, however, is not solely for steam train freaks since it seems far more concerned with the social implications of the development of the railways, which makes a change. With *Scarlet And Black* (what happened to the definite articles?) BBC1 faces a tough job: proving that it really is best when it comes to the classic literary adaptation. Stephen Lowe's decision to insert Napoleon into his dramatisation as a sort of Tinkerbell, flying around offering our hero terse advice, scarcely makes matters easy. But Stendhal was a good storyteller, the casting of Allos Krige as the beautiful young wife, ripe for a love affair, is spot on, and, apart from some nasty background music, all the ingredients are in place: carriage, outsider to top hats, sylvan idylls straight out of a magazine commercial, and plenty of upstairs-downstairs jiggery pokery. A hit.

**SUNDAY.** In the early evening there are three documentary series which could keep me hooked for weeks. *Theatre School* on BBC2 may be at its most fascinating in this opening episode with the auditions and some pretty brutal interviews, but it is very nicely edited and promises much. If, like me, you have bought and driven old German motorbikes then you will devour every minute of C4's *Classic Motorcycles* and if not you will probably be bored to tears; it seems to be dictated entirely by the availability of archive footage. *Locomotion* on BBC2, however, is not solely for steam train freaks since it seems far more concerned with the social implications of the development of the railways, which makes a change. With *Scarlet And Black* (what happened to the definite articles?) BBC1 faces a tough job: proving that it really is best when it comes to the classic literary adaptation. Stephen Lowe's decision to insert Napoleon into his dramatisation as a sort of Tinkerbell, flying around offering our hero terse advice, scarcely makes matters easy. But Stendhal was a good storyteller, the casting of Allos Krige as the beautiful young wife, ripe for a love affair, is spot on, and, apart from some nasty background music, all the ingredients are in place: carriage, outsider to top hats, sylvan idylls straight out of a magazine commercial, and plenty of upstairs-downstairs jiggery pokery. A hit.

## Theatre/Alastair Macaulay

## The Madam of the Balconies

What price beauty in times of poverty? Why work to revive the art of the past when deprivation is all around? With lyricism and with poignancy, this play by Mario Vargas Llosa addresses these questions. It has no answers; this is not (thank heavens) a didactic play. At times, indeed, it is hardly a play – more a great swelling funeral ode for the culture of the past. But one watches it with a very full heart. A work of art is a testament to the glory of the human spirit. How then can men so readily let art be destroyed? Alas, they do so all the time.

Professor Brunelli, "the madman of the balconies", is an old Italian who lives in a scruffy old district of Peru and who, as old houses are destroyed to make way for modern high-rise tenements, dedicates his life to saving their balconies. Each old balcony is an example of artistic traditions that speak of generations of Spanish and Arab craftsmanship – that speak of the cross-cultural paths of culture itself. The professor leads a crusade of enthusiastic young boys and old women – a crusade that fails. Modern town planners reject the balconies as antiquated, native South Americans revile them as examples of cultural imperialism, the old ladies are scared away by the dangers of the slum districts, and the Professor's own daughter blames him for sacrificing her life to his cause.

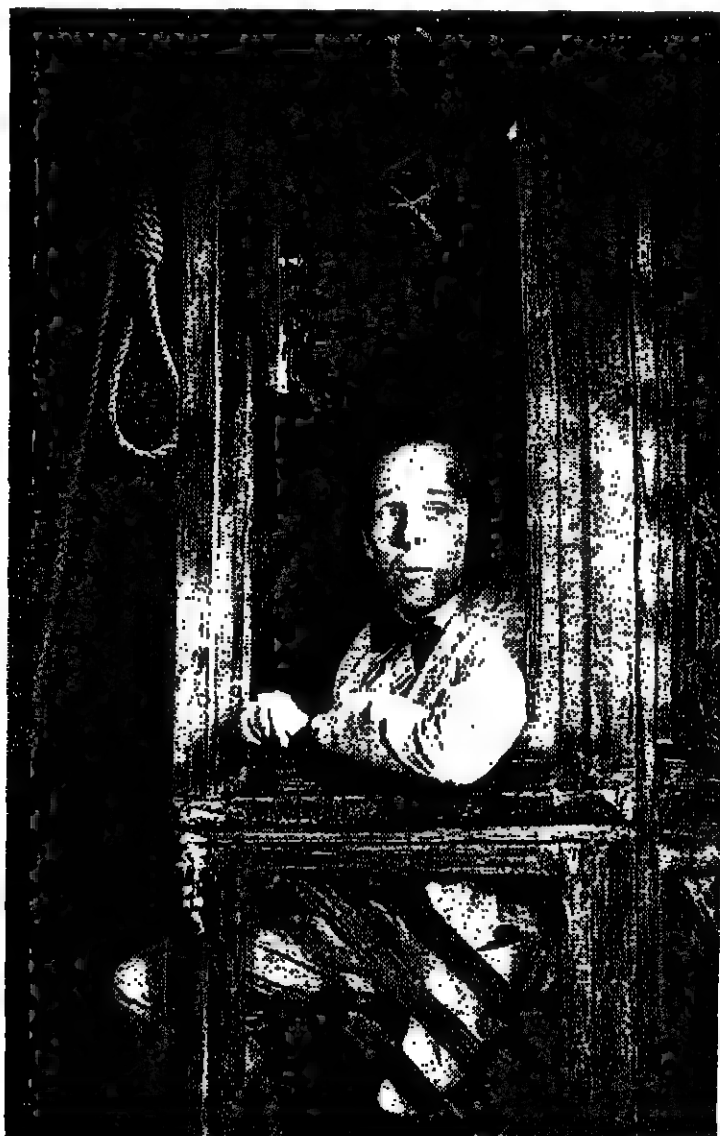
This Gate staging has designs by Marjoke Heurichs of aching beauty – with shards of old-gold balconies in layer upon layer, foreground, midground, background, against dazzling azure. Hettie Macdonald, directing, has caught a sense of South American culture by qualities of intonation and gesture throughout her cast of 15. She fills

the stage with such depth and breadth of character and colour that we are often contentedly suspended in a situation that is nearly plotless.

The performance is dominated by Peter Eyre, who makes the Professor as cultivated, as quaint, as significant, as one of his balconies. He rises to, and reveals, the lyric threat of Llosa's text with the greatest vocal distinction. He employs an old tenor voice – now reedy, now mellifluous, now suddenly descending into a deep, mellow baritone – and effortlessly strings three or more sentences together on a single breath: all of which conveys not virtuosity but feeling. Much of the play consists of his soliloquies – which often are his tender address to the city of Lima itself, "my little whore".

I wish the Gate supplied its audience with more information about this play – its date of composition, its previous performances, and so on; but I have little else to object. The Gate's reputation is largely built upon its stagings of foreign plays by dead authors, and it is good that (since Llosa is alive and kicking) this production reminds us that the Gate also honours world drama of the present day. Llosa never tells us that his balconies symbolise anything. It is enough for him to make the Professor's world real to us: admirable. Still, we may certainly take those balconies as symbols. And among other things they symbolise the art of the Gate itself – the little theatre that in impoverished conditions struggles to revive the past, to enlarge our knowledge of cultures outside our nation, and to make us feel that other cultures are in fact ours too.

At the Gate, W.11. 071-229-0706, until November 27



Peter Eyre as the Professor

At the Met, as at Covent Garden, early Verdi suddenly seems to matter. *I Lombardi* is to be presented by the company for the first time in December. *Stiffelio* has just opened in a production which, at least in textual terms, goes a step further than last season's Royal Opera House version, towards restoring the work to the composer as refashioned at *Aroldo* in 1858, after several years of having his original bowdlerised.

What we were hearing, indeed, was the first performance anywhere of what he wrote. At its premiere, in Trieste, the piece was stymied by censorship (unsurprisingly, given that it is set in Austria and pious clerics, albeit Protestant clerics, on the singing stage), and in subsequent revivals the minister Stiffelio became a prime minister, necessitating the wonderful new title of *Cuglielmo Weltingrode*. The *Aroldo* adaptation has generally been regarded by Verdi experts as a desperate attempt to retrieve a messy situation and certainly the resulting score remains the least loved of Verdi's post-*Rigoletto* operas.

According to those same experts, *Stiffelio*, written immediately before *Rigoletto*, is the real thing. For

them, then, this will have been an occasion of some moment. Here at last is the piece, with the music not used in *Aroldo* – music long thought ditched or lost, and recoverable only from copies – played from a new edition that has benefited from the rediscovery last year of the autograph material.

Whether *Stiffelio* will now become as familiar as *La Traviata*, or even *La forza del destino*, is, however, uncertain. It's a strange piece. Some of the orchestral writing seems frankly experimental – not so much in the overture, which is a miscellany (little wind pipings cruelly hard to play, a broad trumpet tune, a bright unshamed dance), but certainly at the start of the second act, where a moonlit churchyard calls up chromatic curls from divided strings and a jangling of unlike themes, or in the third, where dissonance is an emblem of the doubt felt by two audiences – that in the church on stage, and that in the theatre – as to what Stiffelio will do and say when he goes up into the

## Opera/Paul Griffiths

## 'Stiffelio' at the Met

pulpit after the catastrophes that have abruptly befallen him: learning of his wife's unfaithfulness, and having his reconciliation pre-empted by his father-in-law's murder of her lover.

Another curiosity of the opera is that these things aren't substantiated by what we see. The lover, Raffaele, is an exceedingly shadowy figure. In the first act he features prominently in just one tiny scene; in the second his main function is to prompt the lady, Lina, from her cantabile into her cabaletta; and in the third he gets killed almost without opening his mouth. One has the impression of a character who is refusing to take part for fear of incriminating himself. His silence, and his burying of himself in the work's majestic ensembles (other characters are buried there too: Dorotea and Federico), help to create the pall of guilt that gives the opera, right from the start, a quite particular colour.

Or maybe this is only the pall of our own ignorance of the work,

though I doubt it, since Verdi seems here to be placing us quite actively in ignorance, so that we may sympathise with Stiffelio in his gradual awakening to the truth, and also in his moral resolve to deal with the present and not rake over the past.

The role is, again, unusual. Lyricism is the way Stiffelio behaves under delusion: in a beautiful barcarolle near the start, with an orchestra mellowed by horn tones, he tells of seeing an amorous escape which he does not know involved Lina and Raffaele. Thereafter, along the lines of his discovery and self-discovery, his big numbers are all duets and ensembles, and his vocalism becomes urgent, declamatory, baritone. The part could have been made for Plácido Domingo at this point in his career: what might otherwise be faults – the hefty projection, the top beginning to waver – become the means by which he conveys the man's solidity holding against extremes of pressure. There is no refuge here in pieties; his great cry of "Sacerdote sono!" (perhaps

not the likeliest words for Plave to have put into the mouth of a Protestant pastor) sounds out with the force not of self-restraint but of self-realisation.

The other leading principals in this production are Sharon Sweet as Lina and Vladimir Chernov as her father Stenkar. Ms Sweet makes a big and often beautiful sound; she has no trouble in scaling above full ensembles, but she does have problems when something more gentle might be useful, or something more accurately on the note. Chernov, though asking our indulgence at the opening performance on account of a throat infection, gave a magnificent performance: his grey, severe tone was vigorously focussed, his phrasing pliant and moving, his pacing of the large-scale third-act aria unerring. James Levine, conducting, lets us enjoy the score's extravagances and even its banalities. The production is strong in both these categories too. Michael Scott provides sets in the Met's fossilised naturalist manner (a vast Gothic panelled library for most of the indoor action, a light-filled creamy church interior for the final scene); Giancarlo del Monaco's work as director is in the same vein.

## INTERNATIONAL ARTS GUIDE

## ■ BONN

Oper The main event this month is Gian-Carlo del Monaco's new production of *La fanciulla del West*, opening on Nov 14 with a cast led by Barbara Daniels, Alexander Steblenko and Sherill Milnes. Repertory includes Lotzing's *Der Wildschütz*, Verdi's *Otello* and Prokofiev's ballet *Romeo and Juliet* (0228-773667).

## ■ BORDEAUX

Palais des Sports Tonight and tomorrow: John Nelson conducts Orchestre National Bordeaux-Médoc. Aquitaine in a Grieg programme, with piano soloist Kun Woo Paik and soprano Solveig Kringsjelm.

Next Tues and Wed: Yutaka Sado conducts works by Prokofiev and Shostakovich, with piano soloist Barry Douglas. Nov 12-18 at Grand-Théâtre: Stravinsky ballet production (5648 5854)

## ■ COPENHAGEN

Royal Theatre Tonight, tomorrow: choreographies by Balanchine and Anna Leckelsen. Fri: Alexander Gibson conducts David Radok's new production of Peter Grimes, with a cast led by Stig Fogh Andersen, Tina Kiberg and Norman Bailey. Sat: Tchaikovsky ballets. Sun, next Tues: Don Pasquale. This month's repertory also includes *La traviata*, *Napoli* and guest performances by Tokyo Ballet on Nov 19 and 20 (tel 3314 1002 fax 3312 3892)

## ■ COLOGNE

Philharmonie Tonight: Lockenhaus Festival Ensemble, including Elena Bashkova and Tatiana Grindenko, of the Beethovenhalle in works by Bartok and Schoenberg, with violin soloist Alexander Zeiler. Fri and Sun: Continuum Ensemble in contemporary vocal and instrumental music from Ukraine and the Caucasus (0228-773666)

In Gaudibert, Bartok, Debussy and Ravel, with piano soloist Martha Argerich. Next Wed: Colin Davis conducts Dresden Staatskapelle. Next Thurs: Jessye Norman (0221-2801)

## ■ DUSSELDORF

Schauspielhaus This month's programme is dominated by three Shakespeare productions – *A Midsummer Night's Dream*, *Romeo and Juliet* and a new production of *Titus Andronicus* opening on Nov 20. Repertory also includes Brecht's *Mr Puntila, Hisson's Peer Gynt* and a new production of Böchner's *Woyzeck*, opening on Nov 14 (tickets 0211-369911 information 0211-162200). Deutsche Oper am Rhein Tonight: Die Zauberflöte. Tomorrow: Arribat Reimann's *Kafka* opera *Das Schloss*. Fri: The Golden Cockerell. Sat: Stravinsky ballet programme. Sun: Le nozze di Figaro. Next Tues: Helmut Spieß's production of *Swan Lake* (0211-890 8211). Duisburg Theatre has *Fidelio* on Sat and Don Giovanni on Sun (0203-300 9100)

## ■ FRANKFURT

Alte Oper Tonight: Cliff Richard. Tomorrow: BB King. Fri: Jessye

Norman. Sat: Murray Perahia directs Chamber Orchestra of Europe. Mon: Fats Domino. Tues: Colin Davis conducts Dresden Staatskapelle in symphonies by Beethoven and Berlioz (069-134 0400). Jettstedterhalle Tonight, tomorrow: Compania Nacional de Danza, Madrid, in choreographies by Nacho Duato (069-380 1240). Oper Tomorrow and Sat: Il barbiere di Siviglia. Fri and Sun: Così fan tutte. Nov 14: first night of new production of Simon Boccanegra (069-236061)

## ■ GOTHENBURG

Konsertuset Tonight and tomorrow: Neeme Järvi conducts works by Sienhammer and Richard Strauss. Next Tues: chamber music programme with works by Varèse, Zappa and Bernstein (031-167000)

## ■ HAMBURG

Staatsoper Tonight, Fri, Sat, next Mon: John Neumeier's version of *Swan Lake*. Tomorrow, next Wed: *Fidelio*. Sun: choreographies by Neumeier, Van Manen and Ek. Nov 12, 17, 20: John Neumeier's ballet to Mozart's *Requiem*. Nov 13, 18, 24, 26: *La traviata* with Tiziana Fabbri. Nov 14, 21, 28: Tristan and Isolde (040-351721). Musiktheater Tonight: Armin Jordan conducts Orchestre de la Suisse Romande, with piano soloist Martha Argerich. Sun morning, Mon evening: Walter Weller conducts Hamburg State Philharmonic Orchestra in works by Mozart, Brahms and Rakhmaninov, with

violin soloist Kyoko Takezawa. Sun evening, next Wed: concert performance of *Der fliegende Holländer*. Tues: Sander Vegh conducts Camerata Academica Salzburg. Nov 16, 17: Nikolaus Harnoncourt conducts Brahms' *German Requiem* (040-354414). Deutsches Schauspielhaus Tomorrow: first night of new production of Goethe's *Faust* Parts One and Two, adapted and directed by Christoph Marthaler. Nov 19: German premiere of Tony Kushner's *Angels in America* (040-248713)

## ■ MUNICH

Staatsoper Tonight, Sun: La bohème. Tomorrow: Minkus' ballet *Don Quixote*. Fri, next Tues: Michael Bodor conducts August Everding's production of *Penderecki's Ubi Rex*, with Robert Tear in title role. Saturday, next Wednesday: *La nozze di Figaro*, November 11: the first night of a new production of *La Damnation de Faust* (089-221316). Gastspiel Tonight: Polish Classical Philharmonic Orchestra plays concertos by Pleyel, Hummel and Devienne. Tomorrow: Leonard Slatkin conducts Saint Louis Symphony Orchestra in works by Berlioz, Barber, Beethoven and Gershwin, with piano soloist Rudolf Buchbinder. Saturday: Colin Davis conducts Dresden Staatskapelle in Beethoven's Sixth Symphony and Brahms' First Sunday, next Tuesday, Thursday, Friday: Sergiu Celibidache conducts Munich Philharmonic Orchestra in symphonies by Haydn and Tchaikovsky. Monday: Jessye

Norman song recital (089-4809 8614)

## ■ OSLO

Konsertstus Tonight: Budapest Gypsy Orchestra. Tomorrow, Friday: Harimut Haandhen conducts the Oslo Philharmonic Orchestra in works by Arne Nordheim (b1931), Strauss and Schubert. Saturday: Ravi Shankar. Monday: Itzhak Perlman violin recital. Next Thursday, Friday: Eliahu Inbal conducts Mahler's Seventh Symphony (2283 3200)

## ■ STOCKHOLM

OPERA The Royal Opera has new production of *La traviata* conducted by Marco Guidarini, staged by Krut Hendriksen, with Lena Nordin and Britt Marie Aruhn alternating as Violetta. Repertory includes Elektra, Cav and Pag, *Boccaccio and Beryl Grey's Sleeping Beauty*. Later in the month new productions of *The Turn of the Screw* and *Glen Tetley's* ballet *The Tempest* (tickets 08-248240 information 08-203515)

## CONCERTS

Sixten Ehring conducts Swedish Radio Symphony Orchestra and Chorus at Berwaldhallen tomorrow in works by Verdi, Wagner and Bizet (08-784 1800). Itzhak Perlman gives a violin recital on Sun at Konserthuset. A Penderecki Festival takes place from Nov 11 to 20, featuring more than 35 works for orchestra, chorus and chamber ensemble (tickets 08-102110)

## ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

## European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Channel: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 2030; 0130 Friday Super Channel: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel: Financial Times Reports 0930 Sky News: West of Moscow 1130; 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030



## Edward Mortimer



My identity is "national". Yours is "ethnic". Those people over there are "tribal". No doubt there are text-books that define those three adjectives, and distinguish them by objective criteria. But in everyday usage they express a value judgment, or even a political prescription.

The word "national" implicitly asserts a right to statehood. Irish nationalists, for example, are people who are proud to be, or think they really should be, citizens of an Irish state. A "national minority" is a group whose members do not share the national identity of the majority of their fellow citizens. They may accept that situation as tolerable, but in their hearts they identify with another state — which may already exist on the other side of a frontier, or may as yet be only a dream.

If I call such a group an "ethnic minority" (I am implicitly distancing myself from those aspirations. By calling someone an "ethnic Hungarian", for instance, I am saying, "This chap likes to think of himself as a Hungarian, and we must respect his culture and identity, but of course he is a Romanian (or Slovak or Serbian) citizen and there is no question of that changing.")

So "ethnic conflict" is something regrettable, in which the speaker is implicitly neutral; whereas a "national struggle" is something heroic, in which there are goodies (a nation defending its right to exist and the rightful frontiers of its state) and baddies (an imperial power denying that right, or an aggressor violating those frontiers).

As for "tribes", they are definitely uncivilised. A "tribal" conflict is not merely regrettable but deplorable and irrational. If I refer to "tribal" behaviour in a European context there is a strong overtones of racism. I am saying that people who behave like that are not truly European. And if I call a group's aspirations "tribal", I imply that they need not be taken seriously.

Most English people think of Northern Ireland as tribal. They see the violence there as profoundly irrational; they make no distinction between the different groups engaging in it; they tend to see Northern

## Rule by number not OK

### Voting cannot change an ethnic identity, in Belfast or in Bosnia

Irish society and culture as producers of violence, more than as victims of it; and they have little patience with, or interest in, the political programmes of any of the Northern Irish parties.

Actually the issue in Northern Ireland is simple. It is a conflict between rival national or (if we wish to be superior and neutral about it) ethnic identities. One side feels Irish and would like to be part of a united Ireland, though it is deeply divided about how feasible that is as a political objective.

### The British instinct is that the matter should be settled by a show of hands

ive, and about what means are legitimate, or likely to be effective, in pursuing it. The other side is deeply confused about its national identity (British? Scots? "Ulster"? but is absolutely clear that it is not part of the Irish nation and does not want to be part of the Irish state).

The British instinct is that the matter should be settled in a sensible British way, by a show of hands. Thus successive British governments have said that Northern Ireland will remain part of the UK so long as that is what the majority wants, and at least twice this century referendums have been held to make sure that the majority has not changed its mind.

Ironically the same mistake was made, with even more disastrous consequences, by the European Community when it called for a referendum before recognising the

republic of Bosnia and Herzegovina.

It is a mistake to suppose that such questions can be settled by majority vote, because the notion of a majority vote (and even more so that of majority rule) presupposes the prior consent of the minority to be bound by the result. In other words, both sides have to form part of a pre-existing political community, committed to stay together whichever way they go. If no such community exists, you cannot call it into existence simply by establishing that one side is more numerous than the other — a fact that both sides are usually well aware of already.

Democracy is not the same as demography. Even if, by virtue of differential birth and migration rates, the Protestants one day find themselves the majority in Northern Ireland, they will not thereby be convinced that they should accept Irish unity or that it is a good thing — any more than their grandparents were convinced by the fact that they were a minority in Ireland as a whole.

Indeed, it is probably the fear of such a scenario, rather than "blind" revenge for IRA atrocities, that motivates the growing number of murders by Protestant paramilitaries. Mowing down innocent people in a village in County Londonderry, where Catholics and Protestants mix and Sinn Féin scarcely gets a vote, makes no sense if the object is retaliation against the IRA.

But it does make sense, in a horribly familiar way, if the object is to drive the two communities further apart, persuading both that they can feel safe only in ethnically homogeneous and militarily defensible territorial blocs. "Ethnic cleansing" is the ghastly price some people are prepared to pay, or to make others pay, rather than let themselves be dragged, even by the ballot-box, into a nation-state they do not recognise as theirs.

How wise, then, of Mr Dick Spring, the Irish foreign minister, to make the consent of the unionist community, rather than simply of a majority in Northern Ireland, one of the six "guiding principles" for an agreement which he set out last week. The Irish conflict is not about majorities and minorities; it is about the co-existence, peaceful or otherwise, of people with sharply different national identities.



There is no single model of the welfare state in modern capitalist economies. Different structures reflect the different circumstances under which countries created their welfare systems.

It is not surprising, therefore, that the pressures straining welfare states across the world should manifest themselves in different ways. Each country faces its own particular problems in funding pensions, social security and health services.

Yet in dealing with the pressures, countries with very different benefit systems are adopting similar solutions. There may be many more similarities between the welfare arrangements of countries in the future than there are now.

Welfare states fall into three broad types, according to Professor Gösta Esping-Andersen, of the European University in Florence. He describes these as the conservative, liberal and social democratic models.

The conservative model involves the sort of social insurance schemes found in countries such as Germany, France and Italy. They were introduced by governments such as Bismarck's in Germany in the 1880s, to reinforce a society and family life against the disintegrative pressures of the market economy.

Social insurance schemes focus mainly on employees, funding unemployment benefits, sick pay and pensions through employer and employee contributions. Strongly influenced by the social philosophy of the Catholic church, the conservative model emphasises the role of the family, with family benefits designed to encourage motherhood. Those outside the labour market, such as women caring for children, often had few individual welfare rights.

The liberal model is based on the safety net approach to welfare, providing state benefits for those in real need. Common in Anglo-Saxon countries such as the US, Australia and New Zealand, liberal welfare states offer subsistence benefits only to those whose means fall below minimum levels.

This reflects the belief of liberal economists that generous welfare benefits will interfere with the efficient working of labour markets. It also encourages the development of private welfare systems, with bet-

Rising costs are forcing changes in the financing of different welfare systems, says John Willman

## Individual ways to coin it



ter-off individuals either negotiating welfare benefits at work, or buying them from insurance companies.

The third model is the Scandinavian social democratic welfare state, in which all citizens have rights to benefits provided by the state out of taxation. Benefit levels are usually generous. They are often related to income, so that even middle-class professionals can rely on them.

This type of welfare state is typically underpinned by some sort of employment guarantee, such as that, for example, which kept unemployment low in the Scandinavian countries until recent years.

The architect of the social democratic model was Sir William Beveridge, whose 1942 report provided the blueprint for a "cradle to grave" welfare state in the UK. This would not only redistribute income between those in need and the better-off. It would also act as a savings bank, with individuals paying in at times of prosperity and drawing out when sick, unemployed or retired.

Yet shortage of funds is turning the UK social security system from a social democratic model to a liberal one. An increasing share of welfare support comes in the form of means-tested safety net benefits. These have been insufficient for the people on higher incomes to live off, encouraging private provision — particularly in pensions.

All three models of welfare state have run into problems as their costs have climbed.

The first to feel the heat was the liberal model. Although less generous than other types of welfare state, it is usually funded out of taxation. It has therefore been an early casualty of the tax revolt in which better-off voters have refused to support higher taxation to pay for the cost of a welfare state from which they increasingly opt out.

Similar pressures have emerged in the social democratic welfare state, which places enormous burdens on public funds. Countries such as

Sweden were initially able to fend off taxpayer revolts by generous provision for higher-income groups. But the cost pushed tax rates to unsustainable levels, leading to the election of governments committed to reducing welfare benefits.

The conservative model is less susceptible to taxpayer

### There is increasing pressure for people to make their own provision

pressure, since it is largely paid for by employee and employer contributions. However, employers have become concerned about the growing cost, which in Germany will next year reach almost 20 per cent of earnings for both employees and employers. Concern over industrial competi-

tiveness have forced such countries to launch reforms.

Early responses to rising costs have reflected the particular characteristics of the three models. The liberal system has found it easiest to cut costs, through greater use of means-testing. Countries such as the UK, US and Australia have also tightened up the rules for claiming benefits, with longer waiting periods and closer scrutiny of claimants.

Unemployed people face more rigorous requirements to train and seek work. With healthy private pension sectors, these countries have found it easier to increase private provision.

Scaling down the demands of the social democratic welfare state has proved more difficult. There is opposition from the losers, who include many in the middle classes. Yet the level of benefits is being reduced in these countries, and waiting periods for claiming

them lengthened. Increasingly, employers and employees are expected to make contributions to the cost of benefits, as in other welfare states.

Countries such as France, Germany and Italy with conservative welfare systems have attempted to control costs by weakening the social insurance principle. Benefits are being reduced and no longer paid out as of right — the unemployed must actively seek work to qualify. Coverage has been extended to those not in employment. Some of the cost is being shifted from social insurance to general taxation.

In the different types of welfare state, common themes are emerging as these reforms progress. One is a greater emphasis on ensuring that social security systems do not impede the reduction of unemployment. Lower benefits, understate training, and workfare-type policies involving work in return for benefits, are all designed to boost employment levels.

Another is increasing pressure for people to make their own provision for welfare. It is still largely the Anglo-Saxon countries that offer incentives for private provision. But reductions in benefits in other countries will encourage individuals to do more to provide for themselves. So, too, will moves to restrict indexation of pensions to retail prices, which reduces pensions as a proportion of average earnings.

A third theme is a widening of the funding base for public welfare schemes. Countries which relied on employer/employee funding are shifting some of the burden to the government to control overall spending. Those that relied on taxpayers to fund welfare are asking employers and employees to pay more to reduce the fiscal pressure.

It is too soon to say that the welfare states of the advanced economies are converging on a single model of provision. But most OECD countries are looking to a mixture of welfare funding that includes contributions from the state, employers and employees. Welfare benefits will be extended to all citizens, though perhaps at less generous levels than in the past. Across the advanced economies, individuals will increasingly have to complement public welfare provision with their own resources.

This is the second article in a series on welfare states across the world. The first was published on October 25.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for fastest resolution

### IDs: don't leave home without it

From Mrs Barbara Green.

Sir, Liberty, the civil liberties group, is correct to suggest that personal identification cards could be used to discriminate against certain sections of society — those engaged in mischief. ("Plans for ID cards attacked, October 25).

For nine years I have lived as a British expatriate in societies which have required me to carry their own identification papers. Magic ID cards ensure a swift passage through immigration; facilitate bank transactions; produce registered mail from behind Post Office counters; smooth (as far as possible) relationships with the tax man; and even provide proof of ownership for the dog's own, health-related, ID card.

IDs offer evidence of legal entry and authorised residence, and satisfy policemen who use spot checks to "discriminate" against criminals, drug traffickers and illegal immigrants.

Resent my ID card? No. I wouldn't leave home without it. Barbara Green, Buzon 162, Mijas-La Nueva, Mijas 29650, Malaga, Spain

### Chunnel link needs bold move

From R M Bostock.

Sir, There can be no doubt that the planned high-speed rail link between the Channel tunnel and London could be a showpiece for the government's initiative of attracting private capital to public infrastructure projects ("Chunnel link", October 25).

We believe it is important for the government to come up with a scheme for introducing private sector entrepreneurial skills, management disciplines and capital into this transport infrastructure project at an early stage.

In October 1991, the secretary of state announced the government's preference for the route on the lines put forward by One Arm & Partners; this was a route approaching central London from an easterly direction. At the same time he requested British Rail to develop this route to a stan-

dard at which he could safeguard it. The route corridor has now been identified and largely accepted through a successful public consultation process carried out over the past six months by Union Railways, a subsidiary of British Rail.

For the high-speed rail link to progress without delay now requires some kind of joint venture between the private and the public sectors along the lines outlined by the Treasury in its March 1993 guidance notes. This has to be the most appropriate vehicle for the government to take the project forward through its parliamentary process. Such an arrangement would require the government to shoulder the political risks and the private sector participant to develop the business aspects. These would include proposals for full financing and would include the form and amount

of the public sector contribution. All the project risks other than the political ones could be carried by the joint venture. The government's equity interest would be disposed of at the time of full financing after Royal Assent.

The challenge facing the Treasury is to devise a method for selecting an effective and credible private sector participant which would create strong ownership of the project with the government. Such a venture should be put in place now as the project goes to parliament in March 1994. Without a bold initiative, doubt will remain about the effectiveness of the government's intention of attracting private capital to public infrastructure projects. R M Bostock, One Arm & Partners, 13 Fitzroy Street, London W1P 6BQ

### The fight to close an unacceptable pay gap

From Mr Meriel Schneider.

Sir, Your article, "Landmark equal pay ruling is welcomed" (October 25), highlights the immense difficulties faced by women who seek to bring equal pay cases. It is surely unacceptable that Dr Pamela Enderby has had to fight eight years even to establish her right to have her case heard by

an industrial tribunal. Every year, women lose out because of sex bias in employment.

Women's work remains undervalued and underpaid. Across the board, women earn only two-thirds of a man's average wage. Women continue to earn less than men in both low-paid, low-status jobs and higher paid jobs. Equal

pay legislation has been in place for more than 20 years, yet the pay gap persists, encouraged by a government which chooses inactivity over equality.

Meriel Schneider, pay equity project, c/o Liberty, 13 Fitzroy Street, London EC1

### Arguments for auditors' limited liability do not hold water

From Mr John A Newman.

Sir, The government is facing pressure to limit the liability of auditors within the UK. This, it has been suggested, might be achieved by allowing an auditor to agree with the company and shareholders a fixed-figure limit for liability by repealing Section 310 of the Companies Act 1985.

The justification for this seems to be, first, the large number of big claims made in the US; second, the effect this has had on the global indemnity insurance market; and, third, that the offshore mutual insurance companies formed by the Big Six Big Eight have been denied by claims. These arguments do not hold much water on inspection. First, the particular legal structure and litigious nature of the US makes its experience inappropriate for an EC mem-

ber state. Second, the professional indemnity market does take account of national differences, and third, as the financial status of the mutual insurance companies is not publicly available, the validity of the last argument is not questionable.

Furthermore, the office of auditor is not like other contractual providers of services. Dry cleaners may limit damages that can be awarded against them on ruinous of your Armani suit, but dry cleaners are not indirectly regulated by the Department of Trade and Industry, and do not owe their existence and income to government itself. The licensed monopoly on the function of auditor is a privileged status for which the government should continue to insist upon unlimited liability. A cap would devalue the judgmental

nature of the "true and fair" view.

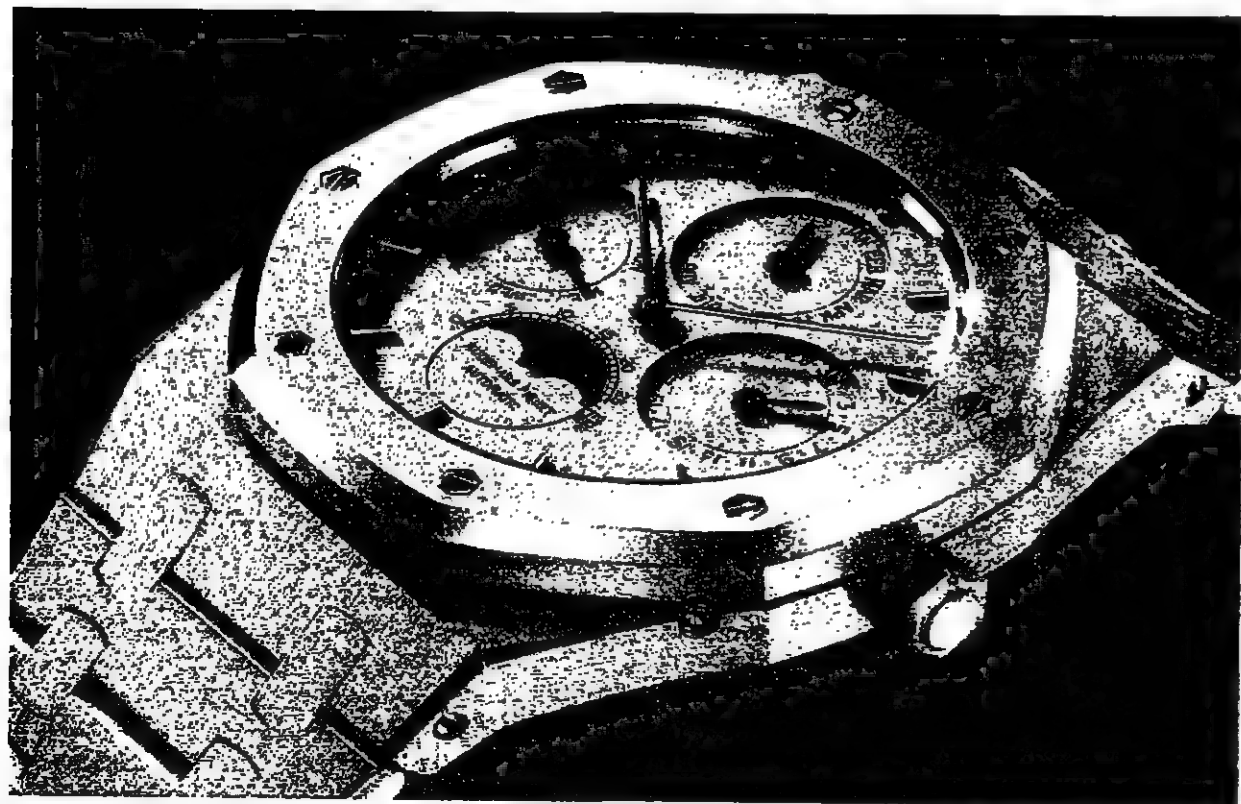
When government interferes in the market, the effect on competition should be reviewed. Would the quality and the level of service be helped or hindered by a cap on audit liability?

The lack of a cap means one of the major firms could become insolvent leading to a major shakeout of that firm's clients and the ruinous of the partners. Such an insolvency might be beneficial since medium-sized and other specialist players might be encouraged to enter the market for audit of listed companies. The collapse would also encourage the unbundling of services, and perhaps the level of standards of the remaining participants in the market would improve. Proponents of capping think

that the more risky type of enterprise might have set for it a high limit which would reflect the danger. The current, somewhat random basis of charging audit fees suggests this is wishful thinking. It seems to me that, the riskier the firm, the more likely the limit would be set at the minimum level.

In conclusion, my feeling is "If it ain't broke, don't fix it." The present system has lasted well enough for more than 100 years, and there seems to be no real pressure for change from the business community or from the public. Parliamentary time could be well spent on simplifying legislation. John A Newman, Chartered Accountant, Russell Square House, 10-12 Russell Square, London WC1B 5EP

ONE OF THE GREAT DESIGNS OF THIS CENTURY.  
AND PROBABLY THE NEXT.



The Royal Oak Perpetual Calendar. The ultimate blend of design and technology.

For information and catalogue, please write to: Audemars Piguet & Co S.A., 1381 La Brasserie, Switzerland.  
Tel. 00 41 21 845 49 31 Fax 00 41 21 845 42 14



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday November 3 1993

## Steady Eddie at the bank

MR EDDIE George, appointed this summer as governor of the Bank of England, is working hard at his reputation. The new governor has assiduously cultivated an image as an inflation-hater. But he is alone will not persuade the financial markets to forget the fact that his tenure as the Bank's deputy governor coincided with one of Britain's two most destabilising inflationary booms since the second world war.

Not that Mr George was personally responsible for the policy errors of the late 1980s. But the scars clearly run deep, and his determination not to see the same inflationary mistakes repeated. Hence his warning, at the end of last week, that a further cut in interest rates might not be compatible with the government's target of keeping underlying inflation below 4 per cent a year. Now that the UK has a golden opportunity to lock into low inflationary growth, he is not going to see the opportunity thrown away.

Curiously, the same defensive caution does not shine through the pages of the Bank of England's latest inflation report. The Bank has clearly gained in stature over the past year, while the quality of its quarterly inflation report has boosted its analytical reputation in comparison with the Treasury's monthly monetary report. But the Bank's report does not, at least at first sight, appear to constitute the brief from which Mr George was reading last week. If the government was considering a further cut in interest rates to coincide with the Budget, it will find little in the report to deter it.

The inflationary outlook, the report suggests, looks promising. Labour market pressures are subdued, inflationary expectations have eased substantially since the early summer, monetary growth is consistent with the government's inflation objectives and there is room for several quarters of

above-trend growth before the economy will show any signs of overheating.

"There is a slight possibility that in the first half of next year inflation will rise above the top of its target range," the report acknowledges, citing the end of summer price discounting, the effects of increases in indirect taxes and the introduction of the community charge. But, "excluding those taxes, inflation is expected to start falling in early 1994, and could reach a level close to the middle of the target range in 1995".

The Bank's analysis highlights two risks. First, that the government will not take sufficient action to reassure bond markets by closing the fiscal deficit; and second, that tax rises to close the deficit will prompt wage-bargainers to seek compensation and thus feed inflationary expectations. Reassuring the financial markets on the deficit is Chancellor Clarke's territory.

Further fiscal tightening is almost certainly necessary, and the chancellor would be wise, both economically and politically, not to delay the medicine. But if he is considering a cut in interest rates to ensure that the recovery is not aborted in the process, then, with the necessary caveats about being prepared to react to future inflationary pressure, the report effectively gives him a green light.

Presumably Mr George agrees with the Bank's analysis. So his statement last week demands a more subtle interpretation. The governor is surely correct that a cut in interest rates, without a substantial fiscal tightening, would be a grievous error. But a cut in interest rates, balanced by tax increases and combined with a commitment to raise rates if wage inflation starts to pick up, would not jeopardise Mr George's inflationary objectives. It is in this option that Mr Clarke should take.

## Private motors

THE LATEST problems with the proposed Renault-Volvo merger raise important points of principle. In effect, the French government and Volvo management are saying to the Swedish group's shareholders: trust us. We will conduct the merger in a rational way. We will then privatise the result as soon as possible.

Volvo's owners may be forgiven for hesitating doubly so, given the French government's damaging volte-face last week over Air France, whereby it appeared to duck commercial realities in favour of political expediency.

From the Swedish viewpoint, consider what is at stake. The French government argues, with some show of reason, that merger must come first, privatisation second. Until the combination has been put in place, after all, it is hard to set a value on the operation. But this necessarily means the process will be at the mercy of politicians. This is not simply a matter of whether one company's interests will be preferred to another's that might happen in my takeover. It is more a question of how far the merger will be structured in the interests of votes rather than profitability.

The French could argue that the industrial realities point the other way. Renault has undergone severe cutbacks since the mid-1980s. Between 1988 and the end of

last year, it reduced its workforce by 22,000. Granted, non-French workers bore the brunt of these economies, but the Swedish unions are apparently anxious enough about their future to carry on backing the deal regardless.

The existence of a French golden share, which could in extreme cases reduce Volvo shareholders' voting rights, is not calculated to soothe Swedish sensibilities. But with a little good will, and some more concrete assurances from the French side, none of this need be insurmountable. The deal, after all, has one crucial argument in its favour: that its origins lie in industrial rather than political logic.

This bears out a wider point: that the whole Renault-Volvo argument shows why privatisation in Europe has become such an unstoppable force. Across a range of industries - cars, telecommunications, computers, chemicals, energy - mergers and joint ventures are becoming essential.

The reasons are various: recessionary pressure, the rising cost of R&D, or - as in telecoms - the changes brought by deregulation. In each case, rationalised companies - awkward in their structure, doubtful in their motivation - tend not to get invited to the party. The message for them is a simple one: privatise or perish.

## Handle with care

WHEN NORTH Korea threatened to become the first country to pull out of the Non-Proliferation Treaty last March, alarm bells rang from Seoul to Washington at the prospect of a nuclear arms race in east Asia. Although Pyongyang withdrew its threat three months later after talks with the US, the alarm was far from over. On Tuesday, the UN General Assembly - by 140 votes to one - expressed concern that North Korea is still refusing to allow full monitoring of its nuclear facilities by the International Atomic Energy Agency. Today, Mr Les Aspin, US defence secretary, is in the South Korean capital to discuss what to do next about suspicions that North Korea is processing nuclear fuel into an illegal stockpile of plutonium.

Pyongyang's defiance presents the world with a tricky dilemma. On the one hand, it is vital to the credibility of international efforts against nuclear proliferation that the IAEA be allowed to conduct unlimited spot inspections of North Korean facilities. If not, suspicions that it is violating NPT commitments will persist with the potential to disturb the regional strategic balance.

On the other hand, it is hard to see what more the UN can do to force rapid North Korean compliance. Short of a lightning bombing

raid on suspect facilities - a course so perilous that no one is seriously contemplating it - economic sanctions are the weapon most frequently mentioned. But a sanctions resolution would almost certainly fail to a Chinese veto in the Security Council. And in any case, tightening the international noose on what is already a parish state would be at least as likely to result in greater instability as to bring Pyongyang's paranoid leaders to their senses.

Resolving the issue is complicated by the fact that no one can be certain whether the North Koreans have any realistic prospect of building a bomb in the near future, or what they ultimately want. It seems unlikely that Pyongyang has stirred up its nuclear quest purely for its own sake. More likely, it is seeking, in return for opening up its facilities to inspection, some concessions from the US: diplomatic recognition to match Russian and Chinese recognition of South Korea, perhaps, combined with cancellation of what Pyongyang sees as aggressive US military manoeuvres in the south.

If that is the real aim, it suggests that the US, Japan and other interested parties would be right to continue with their strategy of attempting to negotiate with Pyongyang, rather than piling on more direct forms of pressure.

"They'd sell off bits of the White House lawn for a vote if they could" - Jim Jontz, head of the Fair Trade Campaign against Nafta

"It's one president, all the timing former presidents, 41 governors, 14 Nobel Laureates and 284 economists versus Perot, Buchanan and Brown: it's your choice"

- Mickey Kantor, US trade representative

Barring the unforeseen, the latest addition to the hierarchy of all political battles will be finally decided on November 17 when 259 Democrats, 175 Republicans, and one independent in the 435-member House of Representatives (there is one vacant seat) vote on whether to approve the North American Free Trade Agreement linking the US, Mexico and Canada on January 1. A simple majority of 218 is all that is needed. If it passes, the Senate will almost certainly follow suit; if it fails, the upper chamber does not have to act.

The stakes are enormous - for the political credibility of President Bill Clinton early in his term and for the legacy of President Carlos Salinas as he nears the end of his, for the evolution of the Mexican and US economies, and for a global trading structure in which a Uruguay Round agreement scheduled to be reached by December 15 may be unattainable if Nafta goes down.

Conventional party lines are irrelevant in the intense retail political war now going on in pursuit of the 218-vote nirvana. More Republicans, perhaps as many as 120 according to congressman Jim Kolbe of Arizona, far fewer according to Mr Jim Jontz, a former congressman from Oklahoma, will vote for than against, not least because the original Nafta was negotiated by the Bush administration. This leaves Mr Clinton needing at most 40 per cent of his own party to triumph - and therein lies the problem.

For the Democratic coalition that just - by one vote - sustained the president in the great budget battle against unanimous Republican opposition, is in tatters. In July it was the "new" Democrats, especially moderates from the south, who deserted Mr Clinton while the old liberals - labour, liberals, blacks - held their noses and held fast. On Nafta, the positions are in good measure reversed.

According to Ms Lori Wallach, a leading co-ordinator of the "anti-campaign, the "no" camp already numbers 208-210 including some "leakers". Bill Daley, brother of the Chicago mayor, directed this "yes" campaign, disputes this estimate, counts about 196 in favour and says that some 55 Democrats are still undecided. Mr Jontz disagrees, reckoning there are now more Republicans than Democrats on the fence. He thinks the fresh-

Jurek Martin and Nancy Dunne say the stakes are high in the battle to guide Nafta through the US Congress

## Party loyalties do not apply



If Nafta is defeated it may impede a Galt deal: clockwise, Canada's Jean Chrétien, Carlos Salinas and Bill Clinton

man class - 86 Democrats and 48 Republicans - is particularly resistant to Nafta.

Both sides hail and blast each new convert. Democrat John Dingell of Michigan came out for the "noes" this week, but Mr Daley counters that he could never understand why anybody thought he would do anything different. Ms Wallach is equally dismissive of the impact of the "yes" declarations of Democrats Joe Kennedy from Massachusetts and Esteban Torres from California. The latter, she insists, probably could not carry the 18-member Hispanic caucus.

The politics of Nafta have produced uneasy dalliances among political heavyweights. In one bed lie the president, the Republican leadership, including Newt Gingrich, a fervent conservative, the Senate majority leader, the Speaker of the House, most leaders of big business, and some prominent environmental groups; in the other can be found the House majority leader

(Richard Gephardt) and most of the Democratic House whips, including David Bonior of Michigan, the chief anti-Nafta strategist, plus Ralph Nader, the consumer advocate, most of the labour unions, Pat Buchanan, the right-wing ideologue, and Ross Perot, last year's independent presidential candidate.

Ms Wallach, who portrays the Nafta divide as one between "populists and the elites", says there is little top-level contact with Mr Perot, who first spoke of the "giant sucking sound" of US jobs going south to Mexico, but that his troops offer access to conservatives and small businesses. Mr Daley says that "Perot's credibility is diminishing because he has become a politician", an assessment borne out by several recent opinion polls.

Both sides agree that the role played by President Clinton himself is crucial. "He is my number one worry - never underestimate the power of the presidency," says Ms Wallach. He got off to a slow start.

In the summer he was consumed by the budget, and more recently distracted by healthcare, Haiti and Somalia. Meanwhile the opposition was off and running early.

The administration planned a lot of its midsummer hopes on Nafta's "side agreements", covering Mexican environmental and labour laws and guarding against import "surges", meeting most objections. But these were only completed in mid-August, later than planned, and were only partly successful. Six prominent US environmental groups came out in favour, but union opposition became entrenched. Most important, Congressman Gephardt, whose backing could probably have ensured passage, declared he was not satisfied.

Mr Daley insists it does not matter that the president started late because "in politics, decisions are only taken in the last few days". Whatever the merits of this argument, there is no questioning that the pro-Nafta campaign is now in

full swing, with plans that Mr Clinton himself do little other than argue for the agreement in the next two weeks.

Every day brings a new media show. Last week saw Products Day on the White House lawn, a display of 175 goods that would benefit from Nafta. Last weekend the president went to Boston to maintain that JFK would have been pro-Nafta. On Monday he appeared at an electronic "town meeting" with members of the American Chamber of Commerce. Later this week he is in Louisville, Kentucky. On Sunday an hour-long TV interview is scheduled.

About twice a week he has 15-20 congressmen in his office for a Nafta exhortation. He works the phones constantly, and all members of his cabinet are fully engaged, sometimes inventively. Mr Kantor's latest pitch is that Japan is against Nafta and would, along with Europe, seek to profit from its defeat. The Nafta "war room", operating out of the Old Executive Office building next to the White House, co-ordinates it all and makes sure that businessmen keep up the pressure on individual members.

Certain actions, both substantive and personal, get taken with Nafta in view. Last week's creation of the North American Development Bank, with its funds available for border clean-up, obviously helped Congressman Torres come off the fence. At the other extreme, Congressman E Clay Shaw, a Florida Republican, is demanding that the administration put pressure on Mexico for the extradition of an accused rapist. Mr Daley says: "We have made our views known to the Mexican government on this, though they knew about it already."

All this activity is matched with fervour and skill by the other side. Ms Wallach claims to have kept a lid on vote switching. She points out that Congressman Kweil Mufson from Maryland, leader of the 38-strong black Democratic caucus, is so loyal to Mr Clinton, he is helping Mr Bonior garner votes against Nafta, and that only one black congressman has come out in favour. On broader policy issues, both camps were bombarding the media with their respective spins after last week's Canadian election result. "They've thrown everything at us, but it hasn't made a difference so far," she insists.

With two weeks to go, neither side will publicly admit the possibility of defeat. Mr Daley says he will not sell the White House lawn, but seen crossing it yesterday was a gaggle of living Nobel Laureates, including Henry Kissinger, last seen being nice to Mr Clinton on Martha's Vineyard in August. The grass seemed in place.

## On opposite sides of the great divide



Dave McCurdy: past versus future

Marcy Kaptur from Ohio and Dave McCurdy of Oklahoma might seem prototypical Clinton new Democrats, write Nancy Dunne and Jurek Martin.

She is 47, the same age as the president, a House member since 1982, while he is 43, and from the class of 1980; like the president both studied at British universities, she doing town planning at Manchester, he economics at Edinburgh; she is from a union district, he from a union family; and both are ambitious: she has her eye on the Senate next year, while he has already considered running for the presidency and last year promoted himself for a post in the Clinton cabinet. Yet Nafta divides them absolutely.

Ms Kaptur, a leader of the opposition, regrets having to fight Mr Clinton. "It would have been nice after 10 years here to have had a Democratic president who agreed with me on the most important issue in my district. Nafta, though, is a life and death issue to me," she says, citing the job losses in her Toledo constituency.

She is proud of being a liberal and resents being called a protectionist. "Trade can bring freedom," she argues, "but it can also bring exploitation. If people do not have fair wages, free elections, rights of assembly, a judicial system with fair trials, you have exploitation and we will be a party to it." She sees nothing wrong with hemispheric free trade, so long as it is linked to democratic reforms.

Her criticism of Mexico goes far beyond its democratic shortcomings. On two recent visits she was shocked by what she saw. "They have no running water, no heat in winter, no electricity unless they have batteries." Once, she says, Mexican government agents trailed a delegation of congresswomen on a tour south of the border and nearly ran one of them down.

To Dave McCurdy, a border state moderate like Mr Clinton, the Nafta debate is all about the past (aging, uncompetitive industries) versus the future (a high-skilled, high-wage economy). "The problem is that the protectionists, isolationists and xenophobes who are building the case against it are really basing

it on fear of change and the unknown."

Combative by nature, he was sufficiently unafraid in September to raid the home turf of the Nafta opposition - a local General Motors plant - to hand out leaflets. "The management loved it. I'm not sure the workers did, but they'd been getting their information only from one side." Ross Perot ran strongly in his district last year.

He has travelled a lot to South America, where he sees democracy taking roots, "though some of the sprouts are fragile". He is impressed by changes in Mexico. "Ten years ago it was an anti-US command economy, socialist in nature," President Carlos Salinas "has taken on the old system with a great deal of courage. He deserves to be rewarded for that."

He understands why some fellow Democrats find it hard to support Nafta, especially after the great budget battle this summer. "Some caught a lot of grief back home and they're tired of explaining tough votes. But there are a few of us who are committed to these free trade principles."



Marcy Kaptur: life and death issue

## OBSERVER



as a child when he was given a book of Banjo Paterson's verses, including *The Man From Snowy River*. Meanwhile, in time-honoured tradition, business life ground to a halt as all eyes turned to the finishing line. Who knows if it was the Irish victory, but the stock market closed lower for the first time in a week.

## Just the ticket

The city of Washington DC, whose depleted coffers are just a little fuller today after the Israeli embassy forced out \$63,000 in parking fines, has Senator Jesse

Holmes to thank. For it was the ultra right-winger from North Carolina who attached a rider to this year's US foreign aid bill docking the amount of unpaid fines, plus a 10 per cent penalty, from the assistance given to all recipients.

Presumably the fact that Israel, the largest beneficiary of US aid, was the first to pay up, was no mere coincidence. But, unfortunately for the impoverished city, it is not the worst parking fine offender by a long chalk. That accolade is reserved for the Russian embassy - even if much of its \$3.8m bill was clocked up by Soviet diplomats in the old days. They are awaiting a new DC parking lot, given Moscow did the honours for the US embassy last year.

Next in line comes the Nigerian embassy, which is incensed at its \$77,830 bill. "We do not park on fire hydrants," Nigeria's press attaché Mohammed Sami complains. "The bulk of the tickets are for expired meters. We are not parked at places wrongly. There is just nowhere to park." Obviously the same problem applies in London. In 1992 Nigerian diplomats boasted 167 unpaid parking tickets, making them the fourth worst offenders, after Turkey, Russia and France.

## Shopaholics?

Japanese salarymen, believed to beat world records for workaholicism, may soon be

legislated into relaxing more often.

Some members of the new Japanese government think that too much work could be a source of economic as well as personal exhaustion. So ministers agreed yesterday to study proposals by Koshiro Ishida, a cabinet member heading the management and coordination agency, to change the dates of national holidays to Mondays or Fridays.

The aim is to encourage people to take long weekends more often, so that they spend more money - badly needed in this recession - and "enrich their lifestyles". Ishida says. Japanese staff would never dream of using even a mid-week public holiday as an excuse for an extra long weekend. Hence the need for government action.

However do not expect any progress today. For this is culture day, when people are encouraged to refresh their spirits with a good dose of art. But be sure all will be back to work on Thursday.

## Illuminating

The director of group public affairs at a UK multinational acknowledges that a PR man may not be needed to change a light bulb (wide Observer yesterday), but seeks to justify his existence by highlighting the need for such expert services when pointing the journalist in the direction of the light switch.

## The foaming Tiber

It was a visibly shaken Carlo de Benedetti who made his way yesterday to a grilling in Rome's Regina Coeli prison on the shores of the Tiber.

The Olivetti chairman, fighting a separate legal battle over a six-year sentence over his role in the collapse of Banco Ambrosiano in the 1980s, faced questions about kick-backs to top public sector contractors, for which the group allegedly paid about £100m.

De Benedetti suffered the first embarrassment earlier this year after being forced to back-track on previous denials that payments had been made; now, after the transfer of inquiries from magistrates in Milan to those in Rome, comes the stigma of an interrogation in gaol.

But at least the venue is appropriate. De Benedetti's inquirers are holding him in a prison that was once a convent - and both the investigating magistrate and the public attorney who want to lead him to the confessional for his putative sins are women.

## Phone home

Hotels all over the world routinely over-charge guests for the cost of telephone calls. But it



Business executives  
in Japan read  
"Nikkei"  
every day

Advertise now! Tel: 071-379 4994

# FINANCIAL TIMES

Wednesday November 3 1993

SPECIALISTS IN PROTECTING  
AND MANAGING YOUR  
AVIATION INTERESTS - WORLDWIDE  
THE INTERNATIONAL BUREAU OF AVIATION  
100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

Finance ministers get together to promote 'crucial' economic convergence

## France, Germany plan for Emu

By Judy Dempsey in Berlin and  
David Buchanan in Paris

GERMANY and France yesterday jointly presented the broad outlines of plans to bring their economies together in the planned European monetary union by the end of this decade.

The joint presentation of the plans was designed to give some public impetus to economic convergence, prescribed by the Maastricht treaty which came into force on Monday.

The plan was released after a meeting of the Franco-German Economic and Financial Council in Berlin, comprising finance and economics ministers and central bank presidents from both countries.

Mr Theo Waigel, German finance minister, said plans to converge the two economies by

1996 "was crucial for the success of economic and monetary union" among the European Community member states.

French and German finance ministers plan to give more details of the plans to their EC colleagues at a general discussion of European economic convergence on November 22.

Germany has made little change to its earlier plan to bring its budget deficit, currently the equivalent of 4 per cent of gross domestic product, to within the 3 per cent guideline laid down in the Maastricht treaty by 1995. By contrast, Mr Edmond Alphandery, the French economy minister, and Mr Nicolas Sarkozy, the French budget minister, set out for the first time yesterday their country's medium-term goals.

Mr Sarkozy said France intended to reduce its budget def-

icit, around 4.5 per cent of GDP, to about 2 per cent by 1997. The only previous indication which prime minister Edouard Balladur had given of his government's medium-term planning was a promise to reduce public borrowing to 2.5 per cent by 1997.

French and German ministers agreed that their economies should aim for 3 per cent growth from 1995 onwards. French ministers said they were assuming that French growth would be somewhere between 2.5 and 3.5 per cent from 1995 on. They have predicted that the French economy will contract by 0.8 per cent this year, but expand by 1.4 per cent next year.

German growth is forecast at minus 1 per cent this year and plus 1.5 per cent in 1994.

Mr Alphandery said France and Germany would together aim

to reduce inflation, and particularly curb the budget deficits in order to meet the criteria for convergence. He reiterated the French government's intention to cut the deficit to FF300bn in 1994 from the current FF317bn.

Mr Sarkozy said France, which had recorded an annual inflation rate of 2.3 per cent in September, was already showing signs of stability.

However, he and Mr Waigel agreed that closer co-operation was needed on the definition of statistics, and the way they are assessed, to move towards convergence. Both ministers said their countries should meet the convergence criteria by 1996.

According to Maastricht EC governments would make their first assessment of whether their economies are ready for monetary union in late 1995.

## US data reinforce growth predictions

By George Graham  
in Washington

GOVERNMENT economic data released yesterday show the US economy to be gaining strength, lending weight to predictions of solid growth in the next two quarters.

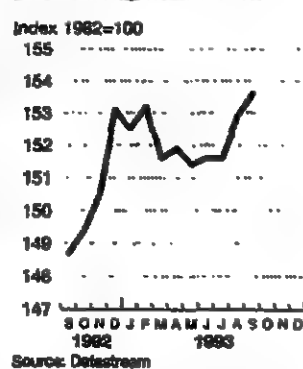
The Commerce Department's index of leading economic indicators showed a rise of 0.5 per cent in September after a 0.9 per cent gain in August.

The leading index, designed to predict movements in economic activity, climbed to reflect an expanding money supply, buoyant orders for consumer goods, higher share prices and increased demands for building permits.

The index fell in the first half of this year, stabilised in June and July, and climbed in August and September.

The Commerce Department said sales of new homes rose by

### US leading indicators



21 per cent in September to their highest level for seven years. New home sales jumped to an annual rate of 762,000, 13 per cent higher than a year earlier.

Home sales have benefited from mortgage interest rates at their lowest level for 25 years.

Rates averaged 6.91 per cent in September and have since slipped a little lower.

Most regions showed large rises, with sales rising 28 per cent in the south, 24 per cent in the mid-west and 15 per cent in the west. Only the north-east showed a drop in sales of 7 per cent. Last week, the National Association of Realtors said sales of existing homes rose in September.

Mr Ed Yardeni, economist with brokers C.J. Lawrence, said this pace of home sales was probably not sustainable, and the rate would be likely to decline in October. "Nevertheless, housing activity is clearly stronger, and will add to economic growth this quarter," he said.

Economists said both the index of leading economic indicators and the home sales statistics were consistent with forecasts for stronger growth in the second half of the year.

Initial government estimates of GDP showed growth in the third quarter at an annual rate of 2.8 per cent, and some economists now forecast the economy expanding at a rate above 4 per cent in the fourth quarter, before subiding in the new year.

"Our current fourth-quarter estimate is 4.2 per cent, and the risk to that number is probably on the upside," said brokers Merrill Lynch.

Mr Allen Sinai, chief economist with Economic Advisors, a Boston consulting firm, is more cautious, predicting growth around 3.0 per cent in the fourth quarter and lower growth in the first half of next year.

But Mr Sinai says the economy is now showing a "functional" recovery, rather than the statistical recovery of the last two years, with growth exceeding the trend of 1.8 per cent that occurred between mid-1988 and mid-1993.

## BCCI liquidators seek rise in compensation from Abu Dhabi

By Andrew Jack in London

LIQUIDATORS to the collapsed Bank of Credit and Commerce International are planning to move swiftly to negotiate a higher contribution for creditors from the government of Abu Dhabi, the majority shareholder in the bank.

They plan to push for payments higher than the originally negotiated \$1.7bn to be agreed early next year in an effort to prevent complex litigation which could take many years and leave hundreds of thousands of creditors with little prospect of compensation.

It also emerged that the liquidators have negotiated a tax refund from the UK Inland Revenue of about £20m overpaid by the bank. The claim relates to incorrectly stated figures and tax deducted at source over several

years as well as interest and was paid out in the last few weeks.

The liquidators' latest action follows the surprise decision by the Luxembourg courts last week to uphold an appeal by three creditors against the agreement between the liquidators and the government of Abu Dhabi.

In preliminary meetings this week the liquidators have tentatively decided not to appeal against the ruling. Neither do they favour the prospect of suing Abu Dhabi in the search for funds for creditors to BCCI, which was closed in July 1991.

The strategy has been developed in advance of a full meeting today and Thursday of the liquidators to the bank's principal companies in England, the Cayman Islands and Luxembourg. Mr Brian Shouha, Mr Georges Baden and Mr Julien Rodin, the three liquidators to the main

BCCI holding company in Luxembourg, in any case face difficulties in making an appeal because they are officials appointed by the courts.

They are still awaiting written judgment from last week's appeal, but seem to have ruled out a possible option from Judge Raul Gretsche to re-submit their proposals in a modified form.

The Abu Dhabi government said its position remained unaltered and it had no plans to increase its offer agreed with liquidators in February last year.

This would have provided a contribution of at least \$1.7bn to creditors in exchange for their waiving rights to sue, and would have allowed a payout of 15p in the pound next year. Abu Dhabi has an estimated \$2.2bn in preferential claims deposited with BCCI and could counter-sue the bank to recover the money.

## De Benedetti faces jail

Continued from Page 1

magistrates in handling the political corruption scandal. Some observers have suggested that the Rome magistrates, previously attacked for dragging their feet compared with their northern counterparts, are now trying to show their commitment to exposing corruption in high places.

It has even been suggested that politically motivated magistrates in Rome have used a leading businessman such as Mr De Benedetti as a scapegoat to get back at Milanese colleagues who have tarnished the reputations of so many of the capital's established politicians.

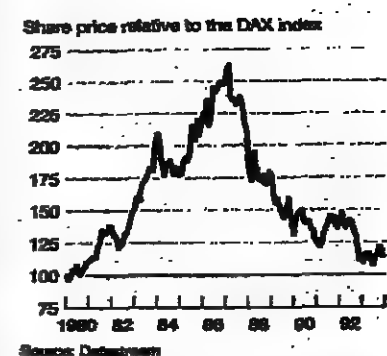
How long Mr De Benedetti will stay in jail remains unclear. A number of senior businessmen investigated in Milan have evaded extended incarceration by striking informal deals with investigating magistrates and providing full confessions.

### THE LEX COLUMN

## Daimler's blood and iron

FT-SE index: 3164.1 (-0.3)

### Daimler-Benz



root out problem loans and write them off fast, instead of seeking to disguise them in their accounts as they have done so often in the past.

Present incentives are inadequate. The Co-operative Credit Purchasing Company, which enables banks to speed up tax write-offs by selling bad loans and buying them back at a loss, is only attractive to larger banks with cash to spare. Financial market confidence also depends on support for smaller firms, like Nanto Bank, the regional lender which is among the most exposed to Muramoto. Perhaps the Bank of Japan should extend additional support in the form of cheap loans, or Japan's notoriously tight-fisted tax office could offer more generous tax treatment on write-offs.

### MEPC

MEPC's shareholders may think it odd that just as the UK property market starts racing away with itself their company decides to buy two shopping centres across the Atlantic. Yet, MEPC is chiefly funding the deal with paper. Thankfully, it is retaining most of the proceeds from its recent £22m rights issue to refurbish its UK portfolio and make selective acquisitions.

Moreover, MEPC sees scope to lift the shopping centres' yield to more than 8 per cent, increasing their capital value. It suggests this can be achieved by raising leasing levels above 85 per cent and marketing the centres more effectively. Any pick up in California's dull economy would also help, given that rental payments are related to turnover. Yet many will doubt the ability of an overseas investor to make capital gains in the fer-

ciously competitive US property market. The US has certainly proved a graveyard for many UK investors.

But if MEPC's shopping centres do disappoint they are unlikely to inflict much harm. The share issue will represent less than 6 per cent of its enlarged equity base. Besides, MEPC's shares - like those of most other property companies - are currently as highly rated that it would be a challenge to buy anything that did not enhance earnings and assets per share. That raises the suspicion that similar deals may follow. But it will be difficult to find many pension funds willing to sell properties at a discount to net asset value in exchange for paper which trades at a premium.

### UK economy

The Bank of England has a delicate task in presenting its latest views on inflation. It would not presumably wish to risk a row with the chancellor if he asks for interest rates to be cut in connection with the budget. But the underlying rate of price rises has accelerated over the past three months and the bank has to admit to the chance of the government's inflation target being breached as a result of tax changes due to come into effect next April. So it must also be concerned about its credibility in the fight against inflation.

The report gets round this dilemma by forecasting that inflation will start to fall again in the middle of next year, and that any rise meanwhile should be regarded as just a blip. That way the option is left open for a budget rate cut to offset any fiscal tightening, even if this goes against basic instincts. The bank's longer term forecasts, which show inflation slipping in the middle of its target range, lead to the claim that rates are about right where they are.

Well, it would say that, wouldn't it? The main worry is that of preventing a higher headline rate translating into higher inflationary expectations with consequent pressure on wages. The bank admits that a higher real exchange rate as a result of interest rate cuts abroad would help reduce inflationary pressures. It follows that it would be reluctant to do anything which might cause the exchange rate to wobble. Since Britain's manufacturing base is so atrophied, it might easily think any possible contribution to growth from exports boosted by a lower exchange rate is not worth the risk of higher import prices.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

OCTOBER 1993

PEVEBLL

Sheltered Housing Estate Management

£30.7 million  
Management Buy-Out  
from McCarthy & Stone plc

Structured and arranged by  
Electra Kingsway Limited

Equity provided by  
Electra Private Equity Partners

Senior Debt provided by  
Bank of Scotland

ELECTRA

ELECTRA KINGSWAY LIMITED  
65 KINGSWAY, LONDON WC2B 6QT TELEPHONE 071 831 6444 FAX: 071 404 5388

A MEMBER OF EMRO

**FT WORLD WEATHER**

**Europe today**

A low pressure area will approach south-west Ireland causing cloud in western France and much of the British Isles, along with some rain in the western regions. A cold front will move over Portugal and will trigger showers during the morning. The frontal zone will continue its way over Spain bringing showers in its wake. Another front will move into Italy, with heavy downpours and thunder showers in the south-eastern regions. High pressure over Scandinavia will bring settled but cloudy conditions. Eastern Europe will be dominated by high pressure areas which will bring sunshine in most parts. Northern Russia will have more snowfall as readings stay below 0C. Central Europe will continue cloudy and mainly dry.

**Five-day forecast**

A frontal zone will stay near the British Isles causing cloud and patchy rain. Low pressure will move from eastern Spain towards the east bringing heavy rainfall and thunder showers at first. Before long the showers will reach south-east Europe. New depressions will move from the Atlantic towards south-west Europe encouraging unsettled conditions. High pressure will build over Scandinavia resulting in more sunny intervals.

**TODAY'S TEMPERATURES**

Maximum	Belfast	showers	11	Cardiff	showers	12	Frankfurt	fair	14	Malta	fair	25	Rio	28
Colaba	fair	14	Chicago	fair	9	Geneva	fair	14	Manchester	cloudy	13	Riyadh	fair	33
Berlin	cloudy	8	Cologne	cloudy	8	Glasgow	showers	11	Melbourne	showers	20	Rome	cloudy	21
Bermuda	fair	28	Dakar	fair	29	Hamburg	cloudy	14	Mexico City	fair	22	Seoul	fair	18
Algiers	showers	23	Bogota	cloudy	18	Dallas	fair	17	Helsinki	cloudy	4	Singapore	cloudy	30
Amsterdam	cloudy	9	Bombay	sun	34	Doha	sun	30	Hong Kong	cloudy	24	Stockholm	fair	4
Athens	fair	18	Brussels	cloudy	13	Dubai	sun	36	Honolulu	fair	29	Strasbourg	cloudy	12
B. Aires	sun	22	Budapest	fair	12	Dubai	sun	36	Istanbul	sun	15	Sydney	thund	19
B. Ham	cloudy	12	Chiang	fair	7	Dublin	rain	12	Jakarta	fair	23	Taipei	thund	23
Bangkok	fair	21	Cairo	sun	25	Dubrovnik	cloudy	16	Jeremy	showers	16	Tel Aviv	fair	28
Barcelona	fair	18	Cape Town	fair	25	Karachi	cloudy	10	Kuala Lumpur	sun	36			











IBM is growing 3 times faster than the industry average.

Yes, that IBM.

Reports of IBM's death have been greatly exaggerated.

Indeed in one area of industry, we're positively blossoming.

The area is consultancy, the name is IBM Know How. We're already the fourth biggest in the field.

We've already been used by 62 of the UK's top 100 companies.

And we think we know why.

Other consultancies talk about business, we've actually been running one for seventy odd years through ups and, of course, downs. So our advice is based on a first-hand knowledge of what actually does and doesn't work for companies.

(And we've worked with thousands of them all around the globe.)

We have advice from the real world, given by people with 26,000 years experience between them. And indeed between them they cover everything, from management consultancy to project management, in a complete range of implementation.

They'll even tackle issues like how to change employees' attitudes to customers.

And how to make the changes take root.

To find out more write to Kate Heal, IBM United Kingdom Limited, FREEPOST PT 731, PO Box 1, Greenford, Middlesex UB6 9BR.

Or call her on 081 575 7700.

**IBM KNOW HOW**  
CONSULTANCY & SERVICES

amp.  
divided.  
Social  
largest  
unhappy  
encies,  
are the  
reference  
system.  
Social-  
s in the  
use they  
s badly  
resenta-

sokawa  
wn the  
gh par-  
shi ino-  
tics at  
vested  
e to be  
because  
tion of  
for the

passed,  
meet in  
Japan's  
ey will  
put the  
encies  
rs and  
ortion-  
sl vote  
oughly  
one - to

ake at  
und-the  
seems  
still in-  
cted to  
be new  
as soon  
s have

nice of  
r politi-  
ability  
d cam-

tiating  
is UN  
nomic

right  
when  
Seoul  
this  
the  
oreign

hat it  
under-  
with  
litary

Seoul  
is UN  
lming  
on  
sa to  
with

e  
l

ay by  
corpo-  
from

of the  
thout-  
0,000)  
stem-  
se,  
press  
rd of  
ed as  
who

1 the  
ved a

mant  
leu-  
ylvie  
diers  
ners.  
ge at  
r 21.  
If an

Tutsi

1  
East  
ment  
inter

it 20  
Wira  
bled  
tum-

DUI,  
owd  
er.

ting  
orts

r of  
died  
nili-



## INTERNATIONAL COMPANIES AND FINANCE

## Kmart sells Pace warehouse stores to Wal-Mart

By Karen Zagor in New York

KMART, the second-biggest US retailer, is selling most of its loss-making Pace Membership Warehouse clubs to rival retailer Wal-Mart Stores.

Although terms were not disclosed, Kmart said the deal would yield net proceeds of about \$300m in cash, equal to Pace's net tangible book value.

Kmart is taking a pre-tax charge of about \$450m against fourth-quarter earnings to cover costs of the sale, and the closure of 41 units not being sold to Wal-Mart.

Wal-Mart, which owns 326 Sam's Club warehouse stores, is buying 91 Pace outlets.

Wall Street had expected Kmart to shed its Pace stores. Kmart shares held steady at \$24 1/2 at mid-session, while Wal-Mart rose 1/2 to \$26 1/2.

Kmart's foray into the deep discount market has been beset by problems. It first struggled with Makro, a low-cost, warehouse-style retailer operated in the US as a joint venture between a Michigan-based group and SHV Holdings of the Netherlands. The Makro outlets were merged into the Pace business after Kmart acquired Pace for \$322m in 1989.

The timing of Kmart's Pace acquisition was also unfortunate. Shortly after Kmart decided that clubs were more than a fad and expanded into the sector, the industry started to show its vulnerability to competition and the weak economy.

## Quebecor lifts sales, earnings in third term

QUEBECOR, the Montreal-based publishing group which controls North America's second-biggest commercial printer, reported a gain in sales and earnings in the third quarter, writes Robert Gibbons in Montreal.

Net profit was C\$17.5m (US\$13.5m), or 27 cents a share, up from C\$16.1m, or 24 cents, a year earlier on revenues of C\$789m, against C\$623m.

Nine-month profit was C\$52.6m, or 77 cents, up from C\$36.8m, or 55 cents, excluding special items in both periods. Revenues for the period advanced to C\$3.2bn from C\$1.8bn.

Quebecor is controlled by the Peladeau family. It owns Canada's second-biggest daily newspaper, and weeklies and magazines. Much of its income

Pace, which had operating losses of \$63m in the first half of this year, has been criticised for operating inefficiencies.

In contrast, Wal-Mart was quick to spot the potential in the sector, opening three Sam's Wholesale Clubs in 1993. By 1990, the company had more than 140 Sam's outlets.

Although the rate of same-store sales growth at Sam's has declined this year, analysts have praised its sophisticated distribution system. They expect it to benefit from the Pace acquisition.

The Pace deal will also strengthen Sam's position against the consolidation of Price/Costco - the second- and third-biggest warehouse club chains which agreed to merge this year.

Wal-Mart said the Pace clubs would continue to operate under the Pace name until the sale was finalised.

Pace memberships will be honoured by Sam's after the sale is completed.

The divestiture will help Kmart focus on its core discount-store operations. In October, the company said it might sell 25 per cent stakes in its Sports Authority, Borders, OfficeMax and Builders Square specialty chains through initial public offerings.

In August, Kmart confirmed it was seeking bidders for its PayLess drugstore chain. According to US press reports, Kmart has tentatively agreed to sell PayLess for \$1bn to a Los Angeles-based investment firm.

## Cincinnati Milacron in German acquisition

By Frank McGurty in New York

CINCINNATI Milacron, the US machine toolmaker, is to buy the Ferromatik plastics-moulding equipment business from Klockner Werke of Germany for DM94m (\$56m).

The US company hopes the acquisition will bolster its moulding machinery business, while giving it immediate access to the European market, the world's largest for such equipment. The acquisition is expected to add \$100m to 1994 revenues.

The growing importance of the business to Milacron's bottom line was underscored yesterday by the announcement of third-quarter results.

Stripping out extraordinary items, operating earnings were up 55 per cent at \$8.4m, or 25 cents a share, on revenues of \$301m, a 33 per cent gain.

The improvement reflected in part one of the best quarters ever for the plastics machinery group, which appeared to be on target for a record-breaking year in new business and sales.

The strong performance in plastics equipment offset weakness in the machine tools segment, which posted flat sales, lower earnings and a "precipitous fall-off" in orders.

"Our machine tools business continued to be hurt by the deep recession in the aerospace industry," said Mr Daniel Meyer, chairman and chief executive.

The results include an \$18.1m charge related to Sano, a supplier of plastic film systems acquired in 1986. The company wants to sell Sano because of problems of integration with core businesses.

With the one-time provision included, the company posted a net loss of \$7.5m, or 23 cents, against net earnings of \$7.3m.

## ABB investment fund link-up

ASRA BROWN Boveri, the European manufacturer of power plant and industrial systems, is setting up a fund with six US investment institutions to provide equity and subordinated debt to help finance industrial and power projects in the US, writes Martin Dickinson in New York.

GE Capital, the financial services arm of power equipment manufacturer General Electric, already provides equity capital for power projects. ABB believed, however, its move will give it a lead in other industrial areas served by the company, such as petrochemicals and paper and pulp.

● Bow Valley Energy, 33 per cent held by British Gas and expanding internationally, earned C\$10.4m or 33 cents a share in the first nine months, up from C\$7.9m or one cent a share, on revenues of C\$176m, little changed.

## Case gets in shape for a difficult harvest

Laurie Morse examines restructuring at Tenneco's agricultural machinery subsidiary

THE grain harvest is about three weeks behind schedule in the American mid-west, and farmers are working overtime, pushing their tractors and combines to the limit.

The machines are invariably the trademark green of John Deere, or the distinctive red of the old International Harvester company, whose logo has been assumed by equipment manufacturer J.I. Case, the Wisconsin-based unit of Tenneco.

This year, with US farm income projected at 10 per cent above 1992's \$62.5m, Deere and Case are hoping farmers will end their self-imposed austerity and make long-deferred purchases of tractors and other equipment. For Case, always a distant second to Deere, the battle for market share will be more difficult than usual.

The company, the largest division of Houston-based Tenneco, is restructuring, with the aim of returning the unit to profitability. Case delivered \$12m in revenues to Tenneco last year, and still logged a loss of \$24m a year earlier.

Contrary to Wall Street projections only a few months ago, Case is expected to show a profit for the full year.

Its production lines are gearing up for a 30 per cent surge this quarter, to bring output in line with that of 1992. Meanwhile, Mr Mead says he intends to continue to trim his workforce, and will squeeze out an additional \$34m in quality savings in 1994.

Still, analysts say the turnaround is weak at best. Mr Frank Manfredi, editor of Machinery Outlook, an Illinois-based newsletter, says Case's practice of rolling earnings from the financing unit into profits boosted the third-quarter bottom line. Without the credit subsidiary's contribution, Case's year-to-date operating profit is a mere \$12m.

The company's European

only assembly functions, buying parts from outside suppliers. Production was rationalised to meet customer demand, a new concept for Case.

This year 70 per cent of its output will be built to customer specifications, rather than being manufactured wholesale and then customised through costly rebuilding.

Mead also ended Case's customary sales discounts. This reform has reduced volume this year, but profits have grown.

"Case forgot it liked to make money and just liked to make tractors," Mr Mead jokes.

Inventories fell by \$719m in 1992, and are projected to be down another \$300m in 1993. Tightening quality controls at the factory and in the sales process has saved the company about \$200m this year, according to Mr Ted French, Case's chief financial officer.

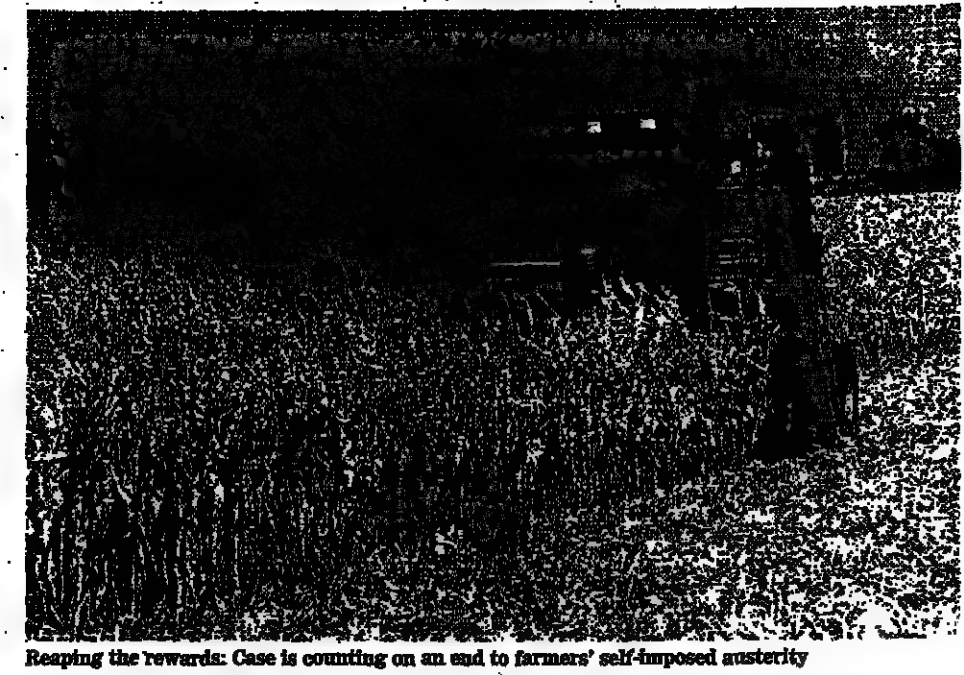
Mr Mead's policies are paying off. Case posted a \$52m operating profit at the end of the third quarter, up from a loss of \$24m a year earlier.

Mr Mead says it is not yet time to ease up. "This is just the beginning of the transformation," he told analysts recently. "It's been a long, tough struggle and we're not getting any help from our markets."

Indeed, Case is projecting sales of \$2.8bn in North America this year, and about \$1.1bn in Europe, its second-largest base.

Of those sales, about 60 per cent will be agricultural machinery and 40 per cent in construction equipment.

The late harvest has delayed the autumn selling season for big-ticket agricultural items such as tractors by about three weeks in North America. Meanwhile, farmers who are used to buying Case's shiny red tractors at juicy discounts are finding value pricing hard to swallow. "They're trying to



Reaping the rewards: Case is counting on an end to farmers' self-imposed austerity

cuts have been difficult, and markets there are shrinking, while the US agricultural economy remains flat.

Mr Mead says it is not yet time to ease up. "This is just the beginning of the transformation," he told analysts recently. "It's been a long, tough struggle and we're not getting any help from our markets."

Indeed, Case is projecting sales of \$2.8bn in North America this year, and about \$1.1bn in Europe, its second-largest base.

Of those sales, about 60 per cent will be agricultural machinery and 40 per cent in construction equipment.

The late harvest has delayed the autumn selling season for big-ticket agricultural items such as tractors by about three weeks in North America. Meanwhile, farmers who are used to buying Case's shiny red tractors at juicy discounts are finding value pricing hard to swallow. "They're trying to

wait us out, looking for year-end mark-downs," one dealer observed.

And while US farm income is up slightly this year, it is projected to be down 8 per cent in 1994, a forecast that reinforces Mr Mead's determination to raise operating profits even as sales decline.

In Europe, the situation is even more dismal. European tractor sales are projected to fall to 106,000 units in 1994, down from 181,000 in 1990. Industry-wide sales of construction equipment are flat to lower. And unlike North America, competition is fragmented and intense.

The big German construction market remains depressed. "We don't have any realistic views about the 1994 market," says Mr Steve Lamb, Case's managing director for Europe.

Case's policy of holding the line on discounts has not succeeded in Europe, where Deere, also suffering from a shrinking

market, is pricing aggressively. Case operates eight manufacturing plants in Europe, most of them the legacy of Tenneco's acquisition of France's Poclain construction equipment and International Harvester's agricultural divisions in 1986.

Several small manufacturing operations are being closed or reduced in size, with redundancies of about 1,000 workers. That includes the 266 redundancies at Case's French plants announced in September.

Given Case's ambitious restructuring plans and the struggling state of Poclain's businesses, "it's a pretty safe bet that you'll see more closures in France," where about half of Case's 7,500 European employees are situated, Mr Lamb says.

The contraction is fundamental to the success of Case's turnaround. "It is essential to get the size of production down to the size of the market," Mr Mead says.

## Norwegian bank back in black

By Karen Fossell in Oslo

SPAREBANKEN Nor, Norway's third biggest bank in asset terms, yesterday disclosed it had returned to the black in the first nine months of this year, posting a pre-tax profit of Nkr1.034bn (\$14m), against a Nkr210m loss last year.

The sharp improvement was helped by substantial gains on securities, lower interest rates, and a decline in loan losses.

The bank, known internationally as Union Bank of Norway, increased net interest income by Nkr316m to Nkr2.39m in the nine-month

period as other operating income - gains on securities and foreign exchange - more than doubled to Nkr1.55bn from Nkr671m.

"About half the improvement is due to gains on securities," Sparebanken Nor said. Group operating expenses rose slightly by Nkr84m to Nkr1.85bn as operating profit, before credit losses and write-downs, more than doubled to Nkr1.98bn, or 2.24 per cent of average assets, from Nkr976m.

Losses on loans and guarantees were cut by Nkr134m to Nkr944m.

"Calculated on an annual basis, the loss ratio for the first

nine months was 1.8 per cent of gross loans, while for 1992 the figure was 1.9 per cent," the bank said.

Sparebanken Nor has recommended a dividend payment of not less than Nkr15 per primary capital certificate (PCC) for 1993.

PCCs are financial bourgeoisie instruments, similar to preference shares, which are traded like usual stocks and governed by the same legislation. They are used by Norway's savings banks to raise fresh equity capital and to expand their ownership to include a limited percentage of foreign shareholders.

## Asbestosis claims charge pushes Cigna into the red

By Richard Waters in New York

A \$244m after-tax charge to cover asbestosis and environmental claims pushed Cigna, the US insurer, into the red during the third quarter of the year.

The company also took a \$107m charge to cover 1,400 redundancies in its health and property/casualty businesses, which have already been reported as well as a further \$800-1,000 job losses expected in the next 18 months.

The latest charges led Cigna, one of the leaders in the US

health and life insurance businesses, to post a net loss of \$94m, or \$1.31 a share, for the period, compared with a net profit of \$60m, or 70 cents, a year ago.

The scale of the loss was reduced by a \$48m benefit from the change in the US corporate tax rate.

The results a year before had been struck after one-off items which led to a net benefit of \$48m.

Operating results during the period in health, pension and life businesses had been strong, said Mr Wilson Taylor, chief executive.

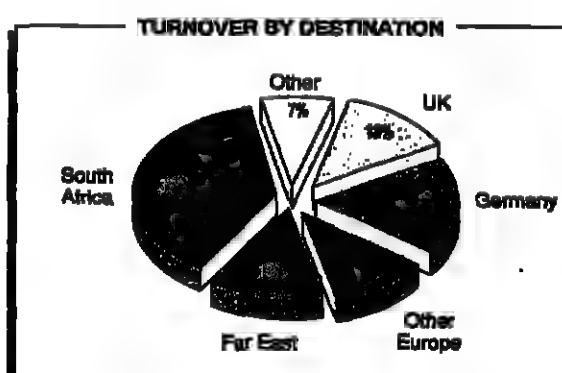
## sappi limited

Reg No. 200205008

INTERIM RESULTS  
for the six months to 31 August 1993

SUMMARY OF RESULTS for the six months to 31 August (unaudited)		
	1993	1992
Sales	\$843m	\$721m
Operating income	\$31m	\$77m
Net income	\$20m	\$62m
Earnings per share	13 cents	47 cents
Employees	20 146	20 727*

\*28 February 1993



As predicted in the annual report the total income for the half year to 31 August 1993 dropped significantly from the level achieved in the same period last year. All markets in which the group operates were very weak and, particularly in Europe, selling prices fell to well below the already reduced prices prevailing a year ago.

In South Africa selling prices fell in nominal terms for the first time in many years in spite of inflation of nearly 10%. Tight cost control however partly cushioned the impact of declining prices.

In Europe the excess of supply over demand and the devaluation (mainly through currency devaluation) of the Nordic countries from being high cost producers to low cost producers put further downward pressure on prices. These factors severely depressed the results, particularly of Hannover Paper which operated at a significant loss. In the United Kingdom the devaluation of the pound and the restructuring undertaken last year helped to improve the situation and Sappi Europe reached approximately a breakeven result. Through our recently established marketing arm in Brussels, the market penetration for Hannover and Sappi Europe's products in Europe is much improved.

Although earnings are very disappointing, the group's performance is in line with those of the better performing international forest product companies.

As a result of including the turnover of Hannover Paper, turnover for the period was \$843 million, 17% above the

turnover for the same period last year. After adjusting for this factor, turnover remained flat - a direct reflection of the low selling prices and difficult trading conditions. The group generated 63% of its turnover outside of South Africa and nearly 50% outside each of its home markets.

Operating income was \$31 million, a decrease of 60% compared with last year and takes account of South African restructuring and drought related costs of approximately \$3.4 million. Earnings declined to 13 cents per share and in the light of the lower trading conditions and lack of promise in the short term, the directors have decided not to declare an interim dividend.

There is a dispute in regard to a prior year claim against a third party of approximately \$6 million which may be subject to litigation and if not resolved in the company's favour, will affect this year's results.

The \$314 million expansion and modernisation programme at Salscor is now well under way and is scheduled for completion early in 1995 when it is anticipated that the market for dissolving pulp will have improved and selling prices increased.

The outlook for the immediate future is still poor and earnings per share for the second half year are expected to be well below those of the second half of last year, and may be similar to the first half result. Cost control is excellent and the group is well positioned to take advantage of an upturn.

Sappi Management Services (Pty) Ltd, Secretaries, per D J O'Connor  
21 October 1993

P039P 2630

TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.

Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about decimating other trees that stand in their way.

So a WWF project in Costa Rica is recommending ways of felling a tree without bringing down several others around it.

And how to remove it without building a path through the surrounding forest.

If the rainforest is used wisely, they can be used forever. Help WWF prove this in rainforests around the world, by writing to the Membership Office at the address below.

WWF  
World Wide Fund For Nature  
Barnes Wood Wildlife Fund  
International Secretariat, 270 Great Portland Street

CORPORATE CAPITAL SOLUTIONS

LIMIT  
SHARE OFFER

by  
Samuel Montagu & Co. Limited  
and  
James Capel & Co. Limited

To request a copy of the listing particulars call  
081 812 0809

London Insurance Market Investment Trust plc

LIMIT is a new investment trust formed to provide investors with the dual opportunity of participating in the Lloyd's insurance market on a limited liability basis and of investing in a managed portfolio consisting predominantly of listed equities together with some sterling fixed interest securities.

This is not an invitation to apply for shares. Applications should only be made on the basis of the listing particulars. If you need advice, you should consult a professional adviser. This advertisement has been approved by Samuel Montagu & Co. Limited and James Capel & Co. Limited, each a member of the Securities and Futures Authority Limited, for the purposes of section 57 of the Financial Services Act 1986.

Notice of Purchase Offer

Nationwide

Nationwide Building Society  
(formerly Nationwide Anglia Building Society)

US \$150,000,000  
Floating Rate Notes Due 1995  
(the "Notes")

Nationwide Building Society advises all holders of the Notes that it is offering the "Offer" to purchase Notes at a price of 100.00%, purchase to be effected on the next Interest Payment Date, November 24th, 1993. Interest on Coupons falling due on such date will be paid in full.

Notes in respect of which the Offer is to be accepted should be delivered together with all Coupons maturing after November 24th, 1993, to the specified office of any Paying Agent together with a completed Acceptance Form which may be obtained from any such office. Notes purchased pursuant to the Offer and all unreturned Coupons surrendered therewith will be cancelled. Where Notes are held in Euroclear or CEDEL, accountholders will be advised of the Offer by Euroclear or CEDEL, as the case may be and should contact Euroclear or CEDEL through the contact names which will be advised to them in order to accept the Offer.

The Offer will remain open until close of business on Wednesday 17th November 1993.

Any queries about the Offer can be made directly to Nationwide (John O'Driscoll on 0904-759362).

November 3rd, 1993

Approved for the purposes of Section 87 (3) of the Financial Services Act 1986 by Royal Bank of Canada, a member of The Securities and Futures Authority.

Handwritten signature: J.P. 11/03/93



## Japanese refiners hit by fall in prices

By Emiko Terasawa  
in Tokyo

REVENUES at Japan's leading oil refiners and distributors were hit by a fall in demand due to the stagnant economy, and a fall in prices.

Cosmo Oil, a leading oil wholesaler, reported a 7.3 per cent slide in non-consolidated sales to ¥890.9bn (¥8.4bn) for the first six months to September, due to the 3 per cent fall in sales volume. However, the company saw a 19.1 per cent rise in pre-tax profits due to higher profit margins for gasoline and kerosene.

A ¥1.2bn fall in its financial deficit figure due to repayment of loans, also helped profits. After-tax profits fell 22.5 per cent to ¥5.2bn as the previous year's figures were supported by income from land sales.

For the full year to March, Cosmo expects continued sluggish demand for all products, and forecasts a 3 per cent fall in sales to ¥1.47bn and profits to rise a marginal 0.5 per cent to ¥2.2bn.

Nikko Kyojo, a mining and oil refining company which was established last December through the merger of Nippon Mining and Kyodo Oil, saw interim sales fall 8.6 per cent to ¥684.2bn due to the fall in oil prices. Pre-tax profits however rose 28 per cent to ¥12.3bn, while after-tax profits rose 78 per cent to ¥7.2bn.

For the full year to March the company expects pre-tax profits of ¥94bn on ¥1.47bn in sales. After-tax profits are expected to total ¥1bn as the company plans to book an extraordinary loss to liquidate Gould, its US unit.

## Earnings at NZ utility ahead 19%

By Terry Hall  
in Wellington

TELECOM Corporation, the New Zealand utility controlled by Bell Atlantic and Ameritech, yesterday announced a 19.1 per cent increase in earnings to NZ\$651.4m (US\$199.5m) for the six months to the end of September.

Dr. Roderick Desme, chief executive, said the "excellent" result was due to cost-cutting, "well focused, powerfully driven marketing initiatives" and the benefits of the continuing restructuring.

In February the company announced plans to cut the payroll by 5,000, and this process was running ahead of schedule, he said. The total employed had so far been cut to 10,360 from 12,836.

Net earnings for the second quarter rose to NZ\$133.2m, a 17 per cent rise on the year-ago figure. However, the company warned against the expectation of earnings continuing to rise at that rate.

The dividend is being raised to 8.25 cents from 7.25 cents.

Operating costs, excluding abnormal operating costs, fell by 4.8 per cent to NZ\$497.5m from NZ\$527.4m. Total operating revenue was NZ\$1,218.5m a rise of NZ\$3.5m.

## Indian chemical group climbs

TATA CHEMICALS, the Indian fertilisers and chemicals company which is part of Tata, the country's largest industrial group, reported a 125 per cent advance in net profit to Rs683.5m (US\$2.2m) in the six months to the end of September, from Rs392.7m a year ago, writes Our Financial Staff.

Net sales amounted to Rs2,22bn, compared with Rs1,75bn.

## HK Telecom plans cable TV service

By Simon Davies  
in Hong Kong

HONGKONG Telecom has announced plans to cash in on the existing telecommunications system by setting up a cable TV and video-on-demand service. The move comes two days after the launch of Wharf Holding's HK\$5bn (US\$647m) cable television network for the colony.

Hongkong Telecom attempted to bid for the first cable network franchise awarded in 1989, but the government decreed that it could own only 15 per cent of a cable

operator and could not use its telephone network to relay the service, due to its monopoly position.

The monopoly on domestic services disappears in 1995, and since Wharf is planning to use its cable system as the basis for a second telecommunications network, Hongkong Telecom expects to be allowed to do the same, once Wharf's three-year exclusivity period expires in June 1996.

Hongkong Telecom anticipates that it would invest more than HK\$1bn in building up a cable television system. It is expected to be joined by

the Hutchison Whampoa group in its application for the licence.

Mr Peter Howell-Davies, Hongkong Telecom's deputy chief executive, said: "It is the right strategic step for us to extend the range of our video services to meet the needs of medium-sized business and domestic customers, as well as the major corporations."

Hongkong Telecom plans to launch a service whereby customers can dial a number and have videos delivered to their TV set through the telephone network.

Wharf Cable officials claimed

such a service would provide only niche competition, since it currently offers eight channels, of which only one includes movies.

The push to launch a cable channel will cause greater concern, since Hongkong Telecom would be in a position to set up a network more rapidly and cheaply than any other company.

It has the obvious advantages of its existing network and its business relationship with almost every family in the colony. However, the move does underline the attractiveness of Wharf's new franchise.

## Robert Thomson reports on the continuing trouble with bad debts

WHEN Japanese banks established the Co-operative Credit Purchasing Company to clear the industry's problem loans, they housed it in a half-empty Tokyo office building.

It was an apt reminder of the property market collapse that is blamed for the banks'

## Property is still the problem for Japanese banks

into speculative property developments. At the end of March, Japan's 21 leading banks declared that they had non-performing loans of ¥12,700bn, just over 3 per cent of total lending. That figure is thought to have risen to about ¥14,000bn by the end of September.

Actual exposure is widely estimated at ¥30,000bn or more, if lending by affiliates is included, but even that figure does not measure the burden of loan repayments frozen by many troubled clients.

The Muramoto case highlights the "hidden" liabilities carried by many Japanese companies, some of which routinely exaggerated the value of their land collateral and provided loan guarantees not reported in accounts. Muramoto is said to have guaranteed loans worth ¥150bn, leaving it more vulnerable than the banks had realised.

Taking the official figure of non-performing loans, the

CCPC has made little impression on the total. Until the end of October, loans with a face value of ¥1,810bn had been purchased through the company for ¥1,084bn - the price is calculated by a valuation panel which assesses the property collateral and other relevant assets.

However, the company has been able to recover only ¥4.43bn of the ¥1,084bn, meaning that most banks are unable to find buyers for property collateral.

At least the banks can claim the loss on their sale to the CCPC as a tax deduction; previously, they were virtually forced to wait until their client was declared bankrupt before tax authorities would accept the write-off.

But the CCPC has not fulfilled its stated aim of stimulating the property market.

Mr Miyagawa said the unexpected weakness of the econ-

omy, partly caused by the yen's sharp appreciation, has worked against a recovery in property prices. In all, 785 loans have been bought by the CCPC but property assets have been sold in only 19 cases.

"I think you can already see some improvement in the residential property market, but commercial property prices are still tending to fall. They could continue to fall over the next year but, in the longer-term, the market will recover," Mr Miyagawa said.

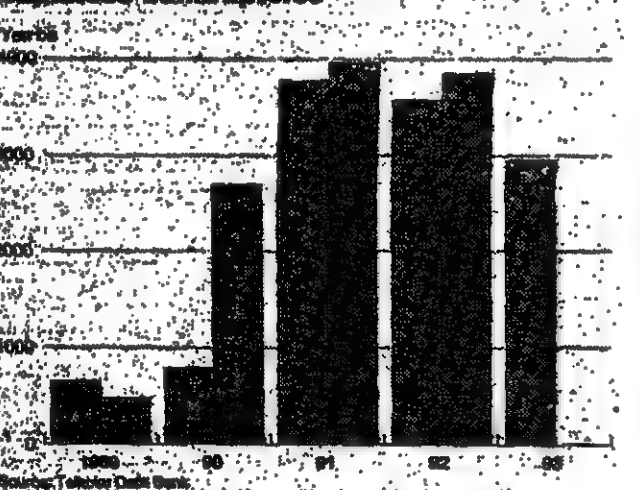
Nor are the banks helping the CCPC's cause. They have insisted on secrecy for more than 50 per cent of their sales, defeating the aim of providing information on property trends. And the pattern of sales, with a rush in the weeks just before the interim and annual book closing, works against the desired image of the CCPC presiding over an orderly resolution of problem loans.

In the period from April to September, 510 loans were purchased by the company; 414 were bought in September, just before the close of the first half. In October, banks brought only 16 loans to the CCPC - suggesting that most institutions see it merely as a vehicle to speed write-offs for tax purposes. Mr Miyagawa expects that the flow of bad loans will become more consistent.

Japanese banks, which will announce their first-half profits later this month, are able to afford write-offs because of falling interest rates, which have created a favourable spread. The official discount rate is now at a record low of 1.75 per cent, meaning that the cost of carrying the bad loans has also fallen. Without the good fortune of an interest rate fall, the CCPC would be under more pressure and the banks would be in greater pain from past mistakes.

But the sudden failure of Muramoto Construction is a warning that Japanese banks' bad loan hangover from the late 1980s is far from over. See Lex.

## Japanese bankruptcies



## Hopewell to create power unit

By Simon Davies

HOPEWELL Holdings, the Hong Kong-listed property and infrastructure group, is to create a separately listed company for its power plant operations, which will have an initial stock market value of HK\$12.75bn (US\$1.65bn).

Consolidated Electric Power Asia (CEPA) will become the holding company for all Hopewell's power generation projects. Hopewell was the first Hong Kong company to construct a power station in China and it has expanded this business into the Philippines.

It has completed three pro-

jects with a combined capacity of 1,610MW, and is constructing two more plants which would add a further 2,715MW. CEPA is to issue HK\$98m of partly-paid shares to the parent company, and a further HK\$4.7bn of shares to outside investors, including Hopewell's largest shareholder Mr Gordon Wu and Mr Li Ka-shing's Cheung Kong group. Peregrine International, the parent of the listed financial services group, and the large Japanese trading group Kanamaru will also take minority stakes.

The public offer will be valued at around HK\$1.5bn, based on the projected issue price of HK\$10 a share. The Hopewell group's own share placement will be issued on a partly-paid basis, but assuming full subscription, it will control 63 per cent of the new company.

The capital raising will enable the group to fund an aggressive expansion programme. The company claimed that "a separate listing of CEPA will enable investors to assess the business of the CEPA Group and the other business of the Hopewell Group independently, in the opinion of the directors of the company, will enhance the market rating of the Hopewell Group".

Associated Dairies said in its formal bid response document filed yesterday. Australian Co-Operative Foods (ACF) has launched a rival bid for Associated Dairies, but this is currently worth only A\$3.25 a share.

ACF holds just under 21 per cent of its target's equity, shares which were bought at prices significantly below the QUF offer terms.

This would allow ACF to walk away from the battle with a profit of almost A\$9m, if it chooses not to raise its terms again.

Associated Dairies directors, however, advised shareholders to wait until the last minute before accepting the offer from QUF.

"As your company has a unique position within the Victorian dairy industry, it is possible that either or both of these offers could be revised upwards in the days ahead," they said.

## Tokyo broadcast unit alters view

TOKYO Broadcasting System, a leading Japanese commercial broadcasting company, issued revised forecasts showing expectations for increased profits but falling revenue for both the six months to September 30 and the full year to March, AP-JD reports from Tokyo.

The company said a review of costs and programming cut-

backing last summer had resulted in a greater impact than expected on earnings.

Proton sales drive PERUSAHAAN Otomobil Nasional Bhd (Proton), Malaysia's national car company, plans to start exporting left-hand drive cars to continental Europe by the middle of 1994, the company said. Reuters reports from Kuala Lumpur.

Proton, in which Japan's Mitsubishi Corp and Mitsubishi Motors have a total 17 per cent stake, has formed a joint venture to sell its cars in Europe.

Malaysia/US deal MALAYSIAN Helicopter Services has bought a 24.9 per cent stake in US cargo and passenger charter operator World Airways for US\$37.8m, Reuters reports from Kuala Lumpur.

But the Helmsley hotel empire came crashing down in 1989 when Mrs Helmsley, known as the "Queen of Mean" for her treatment of hotel employees, was sentenced to imprisonment for tax evasion and mail fraud.

As the Sultan of Brunei's investment advisers were putting the final touches to documents buying the old Helmsley Palace, Mrs Helmsley herself was moving into less salubrious hotel accommodation - a half-way-house low-cost hotel just down the road from her old stamping ground.

## Sultan adds New York hotel to his collection



By Kieran Cooke  
in Kuala Lumpur

SULTAN Hassanal Bolkiah of Brunei collects luxury hotels like the rest of us collect postage stamps.

But when you have a personal fortune of \$37bn you can afford to be a bit choosy about where you put your head down for the night.

The Sultan of Brunei (left) this week agreed to pay \$200m for the luxurious New York Palace Hotel on Madison Avenue. The Sultan and his family also own the top of the range

Beverly Hills Hotel in California and the Dorchester in London.

Closer to home, the Sultan controls two Hyatt hotels in Singapore. When the Sultan held a sit-down dinner party last year at his palace in Brunei for nearly 6,000 people as part of celebrations of his 25 years on the throne, Hyatt chefs and waiters were flown in from Sydney and Tokyo.

If the Sultan's taste of hotel living on his frequent trips abroad there are alternatives available. The Sultan's family are believed to have at

least two houses in Beverly Hills.

There are various houses and flats dotted round London. Then there is the main British residence - a country house conveniently situated close to Heathrow airport. The Sultan also has a mansion in central Kuala Lumpur.

The Sultan's latest acquisition has an interesting history. The New York Palace Hotel was once called the Helmsley Palace, after Mrs Leona Helmsley, once the most famous hotelier in the US and a leading New York socialite.



Multicurrency Term Facility  
Pesetas 40,000,000,000

Citibank N.A., Sucursal en España  
Morgan Guaranty Trust Company of New York, Sucursal en España  
Union Bank of Switzerland

Banco Bilbao Vizcaya, S.A.	Banco Comercial Transatlántico (Deutsche Bank Group)
Banco de Negocios Argentaria	Banco Santander, S.A.
Banco Zaragozano, S.A.	Bank of America, S.A.
Banque Bruxelles Lambert, S.A. Sucursal en España	Banque Paribas, S.A. Sucursal en España
Caja de Ahorros y Pensiones de Barcelona	Chemical Bank, Sucursal en España
Crédit Lyonnais España	ING Bank
Midland Bank plc, Sucursal en España	

Arrangers  
Citibank N.A., Sucursal en España - Administrative Agent  
J.P. Morgan Securities Ltd.  
Union Bank of Switzerland

October 1993

This announcement appears as a matter of record only

All of these securities having been sold, this announcement appears as a matter of record only.



HANNOVER RÜCKVERSICHERUNGS-  
AKTIENGESELLSCHAFT

DM 150,000,000

7.55 % Genußscheine 1993/2003

Jointly arranged and placed by

Deutsche Bank AG

J.P. Morgan GmbH

November 1993

## Mortgage Securities (No.3) PLC

\$63,000,000 Class A1  
\$39,000,000 Class A2  
\$15,000,000 Class B  
\$8,000,000 Class C  
Mortgage backed notes due 2035

For the interest period 29 October 1993 to 31 January 1994 the notes will bear interest as follows:

Class A1: 6.125% per annum  
Class A2: 6.3% per annum  
Class A3: 6.4% per annum  
Class B: 6.75% per annum  
Interest payable 31 January 1994 will be as follows:

A1: \$887.32 per \$56,252.00 note  
A2: \$1,622.41 per \$100,000 note  
A3: \$1,648.22 per \$100,000 note  
B: \$1,738.36 per \$100,000 note  
Agent: Morgan Guaranty Trust Company  
JPMorgan

## Auto Funding PLC

£129,000,000  
Class A Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 31st January, 1994 has been fixed at 6.40% per annum. The interest accruing for such three month period will be £364.82 per £100,000 Note on 31st January, 1994 against presentation of Coupons No. 5.

Union Bank of Switzerland  
London Branch Agent Bank  
29th October, 1993

## Equitable Capital OHG Ltd.

Notes Interest Rate Details

Pursuant to the indenture dated as of October 1, 1990, between the Issuer and State Street Bank and Trust Company as Trustee, notice is hereby given that for the interest Accrual Period October 29, 1993 to April 29, 1994, the Note Interest Rate applicable to the Senior Notes is 4.23750% and to the Second Priority Senior Notes is 5.18750%. Interest payable per \$1,000,000 principal amount of a Senior Note on April 29, 1994 will be \$21,422.82 and per \$1,000,000 principal amount of a Second Priority Senior Note will be \$28,225.85.

## To the Holders of WARRANTS OF

TOHO ZINC CO., LTD.

(the "Company")

U.S. \$55,000,000

5 per cent. Guaranteed Notes due 1995 with Warrants

NOTICE OF

ADJUSTMENT OF SUBSCRIPTION PRICE

NOTICE IS HEREBY GIVEN that, as a result of the issue by Toho Zinc Co., Ltd. (the "Company") on 28th October, 1993 of U.S. \$120,000,000 ¼ per cent. Guaranteed Notes due 1997 with Warrants to subscribe for shares of common stock of the Company at an initial Subscription Price of 605 Yen per share, the Subscription Price for the above captioned Warrants has been adjusted.

With effect from 28th October, 1993, the Subscription Price at which shares are issuable upon exercise of the Warrants issued in conjunction with the U.S. \$55,000,000 Notes due 1995 was adjusted from 658 Yen to 652.8 Yen per share of common stock of the Company.

Dated: November 3, 1993

IBJ SCHRODER BANK & TRUST COMPANY  
on behalf of  
TOHO ZINC CO., LTD.

## Banca Nazionale del Lavoro S.p.A. (London Branch)

DM 75,000,000

Floating Rate Depository Receipts due 1995

In accordance with the Conditions of the Receipts, notice is hereby given that for the Interest Period from October 29, 1993 to April 29, 1994 the Receipts will carry an Interest Rate of 6.1875% per annum. The Coupon Amount payable on the relevant Interest Payment Date, April 29, 1994 will be DM 312.81 per DM 10,000 principal amount and DM 3,128.13 per DM 100,000 principal amount.

The Reference Agent  
KfW Kreditbank  
Luxembourg

## ARTIFICIAL INTELLIGENCE IN FUTURES TRADING

"INTELLIGENT TECHNICAL SYSTEMS" LEADING CONSULTANTS

TEL: 0674-584 335 FAX: 0674-522884



## Eurosterling offer from British Land finds favour

The bonds, which were mainly placed with UK inves-

By contrast, the forthcoming FF1.3bn offering of 10-year Eurobonds from the Spanish

The region also plans to raise Pta25bn before the end of the year in the domestic Spanish market. The domestic issue and the Eurobond issue will complete the region's 1993 borrowing programme of Pta88bn. Catalonia plans to raise a similar amount next year.

Catalonia, which has a credit

Aala Credit(S)a	100
Modulara	75
Kingdom of Sweden(d)	1.5b
Philippine Nat.Power Corp#	200
<b>STERLING</b>	
Makia	125
British Land#	150
<b>YEN</b>	
Kirin Ind. Finance(c)	50n

Final terms and non-callable unless stated  
 #Convertible. \$Floating rate note. @Semi-  
 years, then subject to 140% rule. b) Ind.  
 increased from \$1bn. Coupon pays 3 mo

Coupon %	Price	Maturity	Fees %
5.50	100	1990	0.75

**ISSUES**

Spread  
bp      Book runner

By Halg Simonian in Milan for on-payment to non-bank conditions

Once necessary bureaucratic procedures are completed between L1,450km and L1,500km will be reimbursed to around

The latest decree opens the door to the first big reimbursement of creditors since Efin went into liquidation.

In spite of the repeated promise of speedy repayment by Efim, reimbursements have been bogged down by bureaucratic problems, notably the tussle between the Italian government and the European commission in Brussels over alleged illegal state aid.

The purchase will give Abco, the brokerage arm of Monterey-based financial services company Abco Grupo Financiero, an unusual presence in the US. It has an office in New York.

■ BOND markets in France, Spain and Italy, which were closed on Monday for All Saints' Day, all fell yesterday, with Italy recording the sharpest decline of about a point, which dealers attributed

less where investors have the most to lose, having notched up very high returns in the past, it makes sense to get out of the market, or move to the short end," said one trader. Because these markets are more volatile, they typically lose considerable ground when traders become bullish.

■ US Treasury securities continued to slide at both ends of the market yesterday, as investors reacted badly to news of stronger home sales.

By midday the benchmark 30-year government bond was down  $\frac{1}{4}$  at 102 $\frac{1}{2}$ , yielding 8.058 per cent. At the short end of

Last month, Liffe traded more than 10m contracts in single month for the first time and open interest reached

Bankers say the accounts of foreign multinationals in Russia, many of which have to fly in cash to fund operations in

**PRIVILEGED BONDS:** The yield is the rate of redemption of the bid-price; the amount listed is in millions of currency units. Chg. days=Change on day; FLATING RATE NOTED: Denominated in dollars unless otherwise indicated. Coupon shown is rate; Spread=Mean above days-month offered rate; Above-month=Below month rate for U.S. dollars. Coupon the current coupon; CUMULATIVE BONDS: Denominated in dollars unless otherwise indicated. Price=Price; Pct. of nominal=Amount of bond per share expressed in currency of share; COMMERCE RATE RISK RATE: Present-Premium premium of the current effective price of acquiring shares via the bond over the most recent rate of the shares.

© The Financial Times Ltd. 1982. Reproduction in whole or in part in any form not permitted without written consent.

FIXED INTEREST STOCKS							
Issue Date	Annual Yield	Latest Report Date	1963		Stock	Closing Price	+ or -
			Actual	Low			

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2
--	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	---

**ET-SE ACTUARIES INDICES**

The FT-300, 100, FT-300 500 and FT-300 Actuarial 300 indices and the FT-300 Actuarial Industry Returns are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. The International Stock Exchange of the United Kingdom and Republic of Ireland Limited is a company registered in England and Wales.

The FT-Actuarial All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. The Financial Times Limited is a company registered in England and Wales.

The FT-300, 100, FT-300 500 and FT-300 Actuarial 300 indices, the FT-300 Actuarial Industry Returns and the FT-Actuarial All-Share index are members of the FT-300 Actuarial Index Group, which are calculated in accordance with a constitution of general rules established by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

	2	%	1	to date	2	Charges	10 years	7.68	7.68	8.28
(Up to 5 years (24)	126.49	-0.85	126.62	1.02	70.63	3 (9%+7%)	20 years	7.54	7.18	6.57
2 5-15 years (23)	126.24	+0.19	126.24	1.57	11.60	4 (10%+8%)	5 years	6.47	6.43	7.35
3 Over 15 years (6)	172.31	-0.24	170.44	0.27	0.75	5 (10%+8%)	10 years	7.29	7.22	6.08
						7 (High)	20 years	7.94	7.38	6.90
							5 years	6.24	6.57	7.82

4	1. trademarks (6)	206.82	+0.04	204.75	1.56	13.67	0	1 (11-1)	30 years	7.40	7.44	9.00	
5	All others (61)	157.71	+0.09	151.85	1.86	10.82	0	1 (11-1)	Indefinite legal rights	7.28	7.36	8.00	
<b>Indian-Indians</b>													
6	Up to 5 years (2)	188.78	+0.06	188.88	0.03	4.28	0	11	Indefinite legal rights	Up to 5 yrs.	3.35	3.34	3.72
7	Over 5 years (11)	198.89	+0.25	198.62	0.84	4.28	0	11	Indefinite legal rights	Over 5 yrs.	3.13	3.26	3.20
8	All others (13)	188.27	+0.33	185.04	0.84	4.28	0	11	Indefinite legal rights	Up to 5 yrs.	1.58	1.52	1.62
<b>Other-Indians</b>													
9	Up to 5 years (1)	188.27	+0.33	185.04	0.84	4.28	0	11	Indefinite legal rights	Up to 5 yrs.	3.35	3.37	3.54
<b>Other-Other</b>													
10	Up to 5 years (1)	142.41	+0.06	143.33	1.09	9.75	17	11	Other-Other	Up to 5 yrs.	7.81	7.94	9.69
11	Over 5 years (1)	142.41	+0.06	143.33	1.09	9.75	17	11	Other-Other	Over 5 yrs.	6.37	6.18	8.04
12	All others (1)	142.41	+0.06	143.33	1.09	9.75	17	11	Other-Other	25 years	6.28	6.28	10.17



3

camp.  
divided  
e Social  
larges  
unhappy  
huencies  
are the  
reference  
system  
r Social  
ts in the  
use they  
ss badly  
presenta

isokawa  
own the  
ugh par  
ashi ino  
itics a  
a vested  
e to be  
because  
ation of  
for the

passed, meet in Japan's hey will split the tuencias ers and portion- al vote roughly vote - to

take at  
and-the-  
seems  
still in  
ected to  
the new  
as soon  
is have

ance of  
er polit-  
: ability  
nd cam-  
..

stating

he UN  
onomic

the right  
when  
Soul  
this  
to the  
forasm

that it  
under-  
d with  
ilitary

Seoul  
he UN  
claiming  
n on  
'ea to  
with

le  
d

lay by  
corpo-  
from

of the  
cheat-  
to cost

stem-  
es.  
press  
ard of  
led as  
who

n the  
ived a

ment  
lieu-  
sylvie  
ldiers  
sters.

Tutsi

**d**  
East  
mont  
ster

at 20  
Wira  
bled  
num-  
Dali

Did,  
rowd  
ser.  
  
sting

ports  
r of  
illed  
mili-

Net asset value per ordinary share of Finsbury Growth Trust improved from 85.6p to 112.9p over the 12 months ended September 30.

Net asset value per ordinary share of Finsbury Growth Trust improved from 85.6p to 112.9p over the 12 months ended September 30.



## COMPANY NEWS: UK

## Amber Day reduces deficit to £2.09m

By Peter Pearce

MR PETER CARR, chairman of Amber Day Holdings for just seven weeks, said he believed that the deficit had been cleared in the results for the year to July 31.

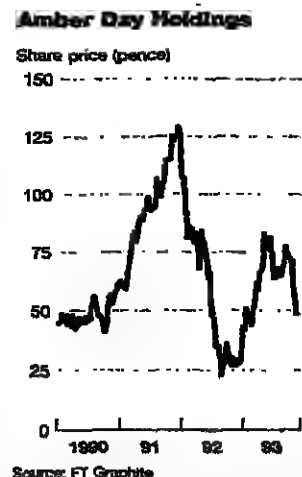
Pre-tax losses were reduced to £2.09m (£7.75m), despite exceptional costs totalling £5.99m.

The exceptional costs represented the costs of the withdrawal from non-core businesses and the settlement of contractual obligations to Mr Philip Green, the ex-chairman and chief executive who resigned in September 1992, and Mr Stacey Ellis, who resigned as non-executive chairman this August.

The discount retailer has been dogged. Mr Carr said, by its past reputation, and the job of the new management team - which includes Mr Keith Paskins, finance director - was to "change shareholders' fortunes". However, there has been a "significant" cut in the final dividend from 2p to 0.25p making a total of 1.35p (3.1p) for the year.

The group has now stripped down to the What Everyone Wants retail chain which at July 31 was 52-strong but now numbers 56. Two more will open this month and a further six are planned for spring 1994. Mr Carr said the business plan he and Mr Paskins had drawn up showed that discount stores were the fastest growing retailing sector - at about 10 per cent a year.

WEW's market share had been broadened by the recession as consumers had been



forced to hunt for bargains. Its operating profits in the year rose from £10.1m (expanded by a £1m one-off profit) to £10.3m. Group turnover grew to £106.1m (£96.5m) with £1.53m from discontinued operations - the imports and distribution division and the mens wear side. The former accounted for trading losses of £2.37m and closure costs of £2.21m. The latter, sold in 1991, accounted for a further £3.32m of exceptional costs, and Mr Green and Mr Ellis were paid £1.13m and £500,000 respectively. Group operating losses before interest shrank to £1.35m (£6.91m) and the retained loss for the period came to £4.74m (£13m). Losses per share emerged at 2.72p (7.61p), though on continuing operations earnings would have risen to 3.59p (3.95p).

## J Smith ahead to £0.78m

HELPED by lower interest charges of £237,000, against £385,000, pre-tax profits of James Smith Estates, the USM-quoted property investment concern, improved from £688,000 to £775,000 for the six months ended September 24. After tax of £256,000 (£239,000) earnings per share were 3.27p (2.99p) while the

interim dividend is increased to 1.55p (1.4p). The directors pointed out that gross rental income was affected by the incidence of a small number of voids and fell slightly from £1.18m to £1.16m. However, they believed that full-year results would show a resumption of rental income growth.

## Swithland seeks SE listing

By Paul Chequerlight, Midlands Correspondent

SWITHLAND, the Midlands car retailer, is seeking a Stock Exchange listing through a share placing which will give the group a market value of £31.4m.

The placing involves 18.5m shares, about 70 per cent of the issued equity, at a price of 81p each. Of this, 12.24m will be new shares, the sale of which will raise £9.95m net.

The balance of 6.1m shares is owned either by NatWest Ventures, Swithland's venture capital backer for the past two years, or Mr John Hayes, the group's founder and chief executive, and members of his family.

Ionian Corporate Finance is

sponsoring the placing, for which the broker is Harris Allday Lea & Brooks.

Trading in the shares will start on November 15, provided buyers have been found for the issue of new shares. If not, the issue will be cancelled.

If the offering is completely sold, the Hayes family's holding in Swithland will be 29.98 per cent.

The share placing represents both re-financing of the group and clearance of the debt for expansion. Of the £9.95m raised, £9.5m will be used to redeem preference shares held by NatWest Ventures, £322,000 to buy from Mr Hayes a piece of land over which the group has an option and about £5m to retire debt, reducing gearing from 240 per

## Tunstall forecasts 21% growth to £6.4m

AN INCREASE of 21 per cent

in pre-tax profits to £6.4m and a 1p lift in the dividend for the year ended September 30 1993 was yesterday forecast by Mr Michael Dawson, chairman of Tunstall Group, the Yorkshire-based supplier of emergency and security systems, as it announced big expansion moves.

The shares closed 20p higher at 560p.

The forecasts corresponded with the announcement of the formation of Mion Electronics, a wholly owned subsidiary, to take over the existing contract design and manufacturing business.

Mr Dawson said the expansion of this division follows a year of significant growth and a continuing strong order book by Tunstall Electronics. Mion intends to build a 6,500 sq m factory near Barnsley, South Yorkshire.

Total capital expenditure over the next four years on land, buildings and new equipment would be about £11m with a further £1.5m required for working capital. It was anticipated that over 400 jobs would be created within two years.

The funding would be financed by a regional assistance grant of £2.5m from the Department of Trade and Industry and, subject to contract, by a five-year loan of £5m from the European Coal and Steel Community.

Mr Dawson said the contract manufacturing activity had the potential to produce significant profit growth for the group. Tunstall's estimated 1992-93 results for contract manufacturing shows turnover of £3.6m (1991-92 actual £400,000), percentage gross margins of 30 (33) and profits before interest of £500,000 (nil).

Pre-tax profits would total £6.4m (£5.3m), sales £44.5m (£40.5m) and earnings per share 26.4p (21.6p). Cash balances were expected to stand at £6.4m (£4.3m).

The directors would propose a final dividend of 4.5p (3.75p) making a total of 7p (6p).

## Tarmac's recuperation at a critical point

Andrew Taylor on the troubled construction group's progress on the road to profit

THE RECUPERATION of Tarmac, the loss-making construction and building materials group, has reached a crucial point.

The announcement on Monday of plans to float off its Ruberoid roofing materials subsidiary marks the end of a period of surgery during which Mr Neville Simms, Tarmac's chief executive, will have raised almost £300m by disposing of unwanted businesses.

The next step will be to see how Tarmac's remaining interests perform as the construction market, particularly housebuilding in the UK, begins to improve.

The group has savagely reduced costs and made substantial write-downs as it has fought to regain financial health. Net borrowings at the end of last year - including Tarmac's share of off-balance sheet finance of £100m and £39.3m of auction market preferred stock - stood at £577m, equivalent to 73 per cent of shareholders' funds of £792m.

This is expected to fall to about £260m, compared with increased shareholders' funds of £1.05bn, should Ruberoid raise £70m as expected, and following Tarmac's £215m rights issue.

To continue the medical metaphor, the patient is recovered and out of bed but it remains to be seen if he will ever run again.

Tarmac's rise and fall has been dramatic. Between 1978

and 1988 its annual pre-tax profits rose from £26.5m to £382m. Last year, after write-downs, it made a pre-tax loss of £350.3m.

The key to Tarmac's future will be the strength of its housebuilding operations, says Mr Mark Stockdale, construction analyst for SG Warburg Securities.

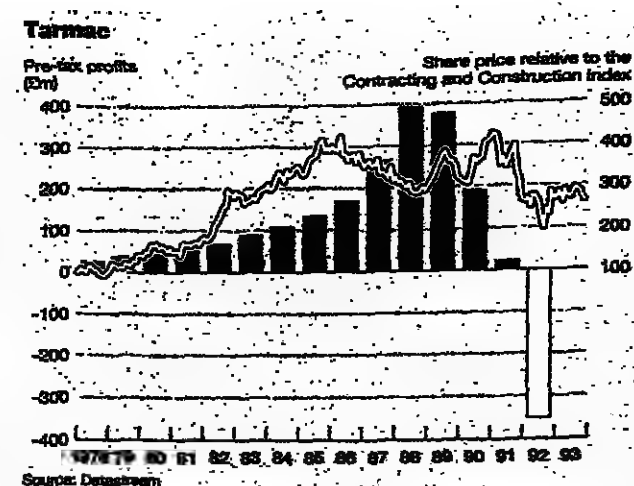
He estimates that capital employed by Tarmac in housebuilding has fallen from a peak of £750m at the end of 1988 to about £250m now. Overhead costs in the housing division have fallen from more than £70m annually to an estimated £50m this year.

Tarmac is already beginning to reap the benefit from this improved efficiency. Net margins on house sales are thought to be about 8 per cent this year compared with a low of 2.5 per cent in the first six months of 1992.

Annual output of homes, however, has fallen from a peak of 12,000 in the late 1980s to an estimated 7,500 this year. This total is expected to rise again as the housing market continues its recent recovery. Tarmac will therefore need to use its renewed financial strength to replace its stock of housing land.

Elsewhere prospects look less bright.

Tarmac's strategy is to concentrate on the three core businesses of housebuilding, construction and quarry products. These last two show limited



prospects for improvement, with little recovery expected in construction output outside of housebuilding.

Competition for work could become even more intense if the government cuts road building and other large scale infrastructure projects in its unified budget later this month.

Cuts in public sector transport and housing investment might also have a detrimental effect on attempts by the big quarry companies - Tarmac, Redland and HMC - to force through higher prices.

A cause of the group's collapse was its failure to recognise the intensity and duration of the recession.

ria division, which manufactures bricks and concrete blocks, and the US aggregates and concrete operations in Florida and the Carolinas.

The recent decision by Tarmac to swap its clay tile operations for the brick making interests of rival building materials group Marley is seen by some as a prelude to a sale by Tarmac of the entire enlarged brick business.

It may, however, decide to keep, or even expand, its US interests, given the recent improvement in the outlook for the US economy.

Warburg is forecasting another pre-tax loss of up to £20m for this year after further goodwill write-offs, mainly against Ruberoid which was acquired for £141.2m in 1988. The investment bank, however, is forecasting a return to profits of £95m for Tarmac next year, rising to £150m in 1995.

Tarmac's share price since sterling left the European exchange rate mechanism last September has more than doubled from 61p to 135p, matching a similar rise in the FT-Accumulated construction and contracting share index.

The market appears pleased with progress so far but awaits evidence that the company, having got this far, can produce good returns from its reorganisation.

To switch from a medical to a legal metaphor, the jury is still out.

## B Elliott calls for £5.4m and acquires dies maker

By Jean Marshall

B ELLIOTT, the electrical and mechanical engineer, is acquiring Deeming Taylor, the specialist dies and tooling products manufacturer, for a maximum £771,500 in cash.

Partly to fund the acquisition the company is calling for £5.4m net through a 1-for-3 rights issue of 8.1m new ordinary shares at 63p each.

Yesterday the shares closed 3p up at 75p. The issue, which is fully underwritten by Besson Gregory, is also offered on the basis of one ordinary share for every 2.13, 7.5 per cent preference shares.

B Elliott has also announced a turnaround from restated losses of £764,000 to pre-tax profits of £126m for the six months to October 31. Turnover amounted to £40.7m against £45.8m last time which included £10.8m from discontinued operations. Operating profits from continuing operations improved to £1.97m (£1.5m). Earnings per share worked through at 3.42p

against losses of 57.44p last time. There is again no dividend.

Mr Somerset Gibbs, chairman, said the company had made excellent progress since completing the refinancing at the end of 1992, when 24.5m new shares were issued.

As part of its restructuring programme the group's machine tool businesses had either been closed or divested and that process had concluded with the sale of the assets and undertaking of Butler Machine Tool in February 1993.

The continuing businesses were performing to plan and proceeds from the rights issue would also be used to fund the retention of the Philips and Newall businesses, Mr Gibbs said.

For the year to October 31 1992 Deeming Taylor achieved gross profits of £263,000 on sales of £263,000. The net book value of the trading assets, plant and equipment being acquired is expected to be a minimum £294,000, including some £90,000 cash.

## Rexmore stages strong recovery to £688,000

By Peter Franklin

THE SALE of its loss-making timber businesses coupled with a reduction in interest costs helped Rexmore, the contract furnishings group, to achieve a strong recovery with a pre-tax profit of £688,000 for the six months to October 2.

The outcome compared with a deficit of £143,000 last time and losses of £1.36m at the previous year end. Turnover for the 26 weeks amounted to £15.5m against £20.1m - including £5.25m from discontinued operations. Comparisons have been adjusted to conform with FRS 5.

Interest payments for the interim period were cut from £222,000 to £177,000. Further reductions in borrowings and interest costs will materialise from operating profits and as the deferred consideration due from disposals is received, said Mr Michael Rosenblatt, chairman.

All operations performed well and indications were that the improvement would be maintained, he said. The interim is raised by 48 per cent from 0.7p to 1p, payable from earnings of 4.44p per share (0.83p losses). The shares closed 11p up at 82p.

Mr Rosenblatt, who founded the company almost 50 years ago, is to step down as chairman but will continue to serve as a non-executive director.

Mr Michael Rosenblatt will become chairman and Mr Norman Rosen, managing director.

## NEWS DIGEST

### Celsis Intl £561,000 in the red

CELSIS International, the specialist in rapid microbial testing which came to the market in a £12.4m flotation in July, reported a pre-tax loss of £561,000 for the six months to end-September.

That compared with a deficit of £460,000 and was struck on turnover up from £87,000 to £79,000. Losses per share were 1.05p (1.03p). Net interest income

amounted to £185,000 against a £16,000 charge last time. Cash on deposit at the end of October was £12.3m.

### Trafalgar House in bond purchase deal

Trafalgar House has entered into option arrangements with Swiss Bank Corporation under which it may acquire 239m nominal of 10% per cent bonds due in December 1993 or February 1994.

The company may be obliged to purchase the bonds in February 1994. It expects to use part of the proceeds of a proposed rights issue to discharge

any obligation arising as a result of the arrangement.

Should Trafalgar House acquire the bonds it will retire them, leaving a nominal £21m outstanding.

### BDA improves to £28,000

In spite of continuing difficult trading conditions BDA Holdings, the architect, consultant and property developer, achieved a rise in pre-tax profits from £8,000 to £28,000 for the half year to end-July. Turnover amounted to £1.03m (£733,000) and earnings emerged at 0.15p (0.09p).

### TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 November 1993

- The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 November 1993. An additional ECU 50 million nominal of Bills will be allocated directly to the Bank of England.
- The ECU 1,000 million of Bills to be issued by tender will be due on 11 November 1993 and will be in the following maturities:  
ECU 200 million for maturity on 16 December 1993  
ECU 500 million for maturity on 10 February 1994  
ECU 300 million for maturity on 13 May 1994
- All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London EC2 8AT, not later than 10.30 a.m., London time, on Tuesday, 9 November 1993. Payment for Bills allotted will be due on Thursday, 11 November 1993.
- Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
- Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.
- Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 11 November 1993. provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 50005515 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hay Lane House, 1 Hay Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.
- Her Majesty's Treasury reserve the right to reject any or part of any tender.
- The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1993, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).
- The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 13 May 1994. These Bills may be made available through repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.
- Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.
- Bank of England  
2 November 1993

**STAY ONE STEP AHEAD FROM SYDNEY TO SEOUL.**

You'll find the Financial Times on many leading airlines and at hotels and kiosks in business centres all around the world. So wherever your business takes you, our news and views can still be part of your business day.

Any problems call the FT Copyline on 49 69 15685150.

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

Please refer to the summary of the company's performance in the Annual Report and Accounts presented at the 97th Annual General Meeting held in Manchester on 2nd November 1993

Year ended 30th June	1993	1992
Profit before taxation	4,121	3,994
Taxation	(1,161)	(1,209)
Profit for year	2,960	2,785
Earnings per share	4.34p	4.12p
Net dividend per share	2.50p	2.575p
Net assets per share	101.2p	97.5p

### Extract from the Annual Report and Accounts presented at the 97th Annual General Meeting held in Manchester on 2nd November 1993

Year ended 30th June	1993	1992
Profit before taxation	4,121	3,994
Taxation	(1,161)	(1,209)
Profit for year	2,960	2,785
Earnings per share	4.34p	4.12p
Net dividend per share	2.50p	2.575p
Net assets per share	101.2p	97.5p

### TRAFFORD PARK ESTATES PLC

Neil House, Twining Road, Trafford Park, Manchester M17 1AT.

### FUTURELINK

The latest, most reliable, cost effective real time FUTURES, FOREX and COMMODITIES service available via FTS within London

LONDON CALL HYETRON ON PARIS 01 40 41 93 43

### DO YOU WANT TO KNOW A SECRET?

The L.D.S. Gann Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and control your losses. How? That's the secret. Ring 061 474 0800 to book your FREE place.



This Advertisement appears as a matter of record only



### Semi-Tech (Global) Company Limited

announces the completion of  
the sale of its 51% interest in

The Singer Company N.V.

to

International Semi-Tech Microelectronics Inc.

for

HK\$6,613,685,910

Advisors to the Company

 SOMERLEY LIMITED

 BT ASIA LIMITED  
A member of the Bankers Trust Group

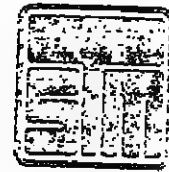
Advisor to the independent shareholders  
of the Company

STANDARD CHARTERED ASIA LIMITED



August 1993

This advertisement appears as a matter of record only



### International Semi-Tech Microelectronics Inc.

has completed the purchase of 51% of

The Singer Company N.V.

from

Semi-Tech (Global) Company Limited

for

US\$847,908,450  
funded by

US\$654,193,000

Senior Secured Discount Notes due 2003

and

C\$795,000,000  
42,400,000 Class A Subordinated-Voting Shares  
(underwritten and sold)

August 1993



This is neither an offer to sell nor a solicitation of an offer to buy these securities.  
The offer is made only by the Prospectus.



US\$654,193,000

International Semi-Tech Microelectronics Inc.

Senior Secured Discount Notes due 2003

Price 45.858%

Copies of the Prospectus may be obtained in any State from the  
undersigned in compliance with the securities laws of such State.

Kidder, Peabody & Co.  
Incorporated

August 1993

This announcement appears as a matter of record only

Secondary Offering



C\$795,000,000

International Semi-Tech Microelectronics Inc.

42,400,000 Class A Subordinate-Voting Shares  
(Sold on an instalment basis)

Price: C\$18.75 per share  
of which C\$7.50 is payable on closing

RBC Dominion Securities Inc.

First Marathon Securities Limited

ScotiaMcLeod Inc.

Gordon Capital Corporation Nesbitt Thomson Inc.

Burns Fry Limited

Wood Gundy Inc.

Richardson Greenshields  
of Canada Limited

Midland Walwyn Capital Inc.

Toronto Dominion Securities Inc.

Levesque Beaubien Geoffrion Inc.

August 1993

on

r camp,  
so divided,  
the Social  
the largest  
e unhappy  
struggles,  
share the  
preference  
system,  
mer Social-  
eats in the  
cause they  
less badly  
representa-

Hosokawa  
down the  
rough par-  
akashi Ino-  
politics at  
the vested  
ave to be  
nt because  
fication of  
re for the

are passed,  
to meet in  
w Japan's  
They will  
o split the  
struggles  
aters and  
proportion-  
ural vote  
roughly  
1 vote - to

I take at  
ehind-the-  
as seems  
is still in  
spected to  
r the new  
y, as soon  
ries have

hance of  
ster polit-  
its ability  
and cam-  
et.

g

gotiating  
the UN  
economic

ble right  
n when  
t. Seoul  
e this  
to the  
foreign

that it  
counter-  
ed with  
military

st Seoul  
the UN  
relating  
on on  
area to  
with

le  
d

day by  
corpo-  
s from  
of the  
cheat-  
150,000  
s stem-  
ces.  
mpress  
ard of  
lled as  
o, who

i  
in the  
ived a  
t.  
ement  
l Jdeu-

Sylvie  
siders  
isters,  
age at  
er 21.  
if an  
L  
Tutsi

d

East  
ment  
eater

ut 20  
Wira  
abled  
num-

Dili,  
rowd  
ser.

ting  
ports

er of  
lled  
mili-



# Zinc producers plan smelter closures

By Kenneth Gooding,  
Mining Correspondent

EUROPEAN ZINC producers decided yesterday to press ahead rapidly with a scheme to eliminate substantial overcapacity by the permanent closure of one or two smelters. The cost of the so-called "shut-down" scheme would be paid for by the rest of the industry. An independent assessor has been taking soundings during confidential discussions with industry representatives for the past three months, and his report, presented to senior executives yesterday, showed that the scheme was feasible and that there were a number of smelters willing to be considered for closure.

"This is a very serious project now," one industry executive said after the meeting in Brussels. The producers will now work on the difficult details - how much capacity should be closed, how much it

would cost and how the rest of the industry would contribute towards the cost.

They must also get European Commission approval, but this should not prove difficult because the Commission gave the go-ahead to a similar scheme in 1992. That scheme came to nothing because prices

rose, easing pressure for cuts. However, last year Union Minière, on its own account, closed its zinc smelter at Overpelt, Belgium, and with it 100,000 tonnes of capacity.

Some zinc traders hoped to hear something more dramatic from the European producers yesterday so, after touching \$961 a tonne at one stage, zinc

for delivery in three months on the London Metal Exchange eased back to close last night at \$961, up \$2.50 a tonne.

"The market was holding its breath and anticipating some sort of outbreak now, not more talks," said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

He said a fundamental refined zinc supply surplus, likely to be about 420,000 tonnes this year, was putting severe pressure on prices, which reached a six-year low of \$927 a tonne in July. The closure of only one smelter might not be enough to bring the market back into balance.

While European producers seem united over the shut-down scheme, they are split over whether to restrict imports from the Commonwealth of Independent States, which are adding to the industry's severe difficulties.

# Attacks on Agip halt oil output

By Paul Adams in Lagos

AGIP's Nigerian oil operation has lost more than 270,000 barrels of production since October 22, when attacks by local communities forced the company to close its Oshana and Clough Creek flow stations.

Agip says the violence stems from mishandling of compensation for the local communities by a development commission set up by the Nigerian government. The company has asked the oil minister, Mr Don Ekiel, to take action over this and other disputes in Rivers state, Nigeria's main oil-producing region.

"We need to make the government aware," a company spokesman said. He said some of the local communities' demands for compensation "bear on revenue allocation which the commission has no programme which is binding".

Agip operates five oil fields in the Niger delta, producing an average 150,000 barrels a day. It owns 20 per cent of the venture, along with the Nigerian National Petroleum Corporation (NNPC) and Phillips Petroleum, and plans to open a new 20,000 b/d field next year.

The trouble at Oshana started when the development commission awarded money from Agip, which was intended for the chief of the community, to a former official instead of the government. The money was to compensate for pollution of the water through dredging the local swamp.

Although Agip provided water and electricity for the area, villagers loyal to the chief marched on the flow station, forcing Agip to close it with the loss of 205,000 barrels by Monday. When a negotiation team arrived by helicopter, the pilot was attacked and badly injured.

The dispute at Clough Creek is also over demands from rival communities. When Agip built a school for the local village, another community demanded a health centre. The threat to oil workers led to a loss of production of about 75,000 barrels last week.

Police were handling the dispute yesterday and Agip expected to resume operations within 24 hours.

However, the company said there had been "some agitation" at the Tebibada flow station, but no loss of production. There had also been "numerous problems" at the Obrikom-Obiafu gas re-injection plant.

# Nigeria's burden of proof

Arrests have been made but the state oil business has still to satisfy the industry that its reforms are working, writes Paul Adams

THE interim government's purge of the Nigerian National Petroleum Corporation (NNPC) has stopped some of the racketeering that became rife during former president Ibrahim Babangida's regime - but it will take more than a few arrests to convince the oil industry that a reform of the public sector oil business is under way.

After the discovery of unauthorised payments to store fuel in tankers offshore, NNPC's managing director, Mr Edmund Daukoru, finance director Mr O. Okwara, and company secretary Dr Beneni Briggs were arrested last month. Mr Daukoru, Mr Okwara and five other senior officials were formally charged yesterday with stealing \$41m.

About 30 senior officials in NNPC have been suspended. The plan to charter two very large vessels for storing about 1m tonnes of fuel through Lenoil, an independent oil and marketing company, was approved by Mr Chu Okongwu, who was oil minister in 1992.

Although each ship was costing Nigeria an estimated \$45,000 a day, the so-called strategic reserve never supplied any fuel.

Nigeria has adequate storage capacity on shore but its fuel shortages stem from large-scale smuggling and crumbling refineries and distribution systems run by subsidiaries of NNPC.

Mr Philip Asiodu, who became oil minister in January this year, rejected the chartering scheme and ordered instead the purchase of smaller tankers secondhand, also through Lenoil. Although Mr Asiodu blocked a demand by Lenoil for \$62m, it is alleged that most of the payment went through shortly after he left office in August, leading to the arrest of the NNPC directors.

Mr Len Adesanya, managing director of Lenoil, was also arrested. Mr Adesanya was to be in the new management fol-



Crumbling refineries and distribution systems cause shortages, despite adequate storage capacity.

lowing the takeover of Texaco Nigeria in July. The deal was opposed by the minority Nigerian shareholders, who allege that the buyer, TNP Holdings, registered in the British Virgin Islands, was funded indirectly by the military regime. The takeover is under investigation by Nigeria's Securities and Exchange Commission.

Industry analysts say that close links between Mr Adesanya's operations and Mr Babangida's military regime went right to the top and that Lenoil was one of the two main operators in the smuggling of about 100,000 barrels a day of fuel.

Since Mr Don Ekiel took over as petroleum minister in late August, the boards of NNPC and its refining and marketing subsidiaries have been dissolved, and the axe has fallen on several other deals agreed by his predecessor. Mr Ekiel has cancelled the crude oil lifting contracts signed by Mr Asiodu. Mr Ekiel said the contracts were to be renegotiated because "people are hawking crude oil... we want to know the

exact number of people who are lifting and whether they comply with our objectives".

Mr Ekiel has invited new applications to buy Nigerian crude oil from companies established internationally as traders or refiners of oil products or which are investing in upstream exploration in Nigeria. The minister has also invited tenders to supply fuel from internationally recognised companies.

The minister has cancelled 16 oil exploration licences awarded by Mr Asiodu to indigenous prospecting companies. According to industry sources, the approvals were rushed through without the normal procedures and many of the licences do not have the technology or resources to carry out exploration.

NNPC's acting managing director is reviewing the sale of an extra 5 per cent stake in an oil production venture to one of its equity partners, Elf Aquitaine, for around \$22m.

The joint venture is operated by Shell and produces half of Nigeria's 1.8m b/d oil output.

July's sale to Elf broke the 40 per cent limit on foreign ownership in oil joint ventures.

The private sector in Nigeria and international creditors would like to see the shake-up in NNPC go further. Recommendations by an economic conference chaired by Mr Ernest Shonekan in February, which included a reduction in state control of the oil and gas industry, have not been implemented.

In a follow-up to that conference today the private sector will press for the measures to be passed in the January budget. The budget monitoring committee set up by Mr Shonekan to review government spending under the Babangida regime has submitted the report. The document is highly critical of dedication accounts that diverted about 110,000 barrels of oil from central revenue into offshore accounts.

Mr Shonekan has made transparency in government revenue one of his government's main targets, but he has yet to show that he can bring oil revenues under control.

# Russian freight tariffs up 50%

RUSSIA has raised rail freight tariffs by 50 per cent for oil, metals, coal and other goods transported within the Commonwealth of Independent States (CIS) but export cargoes will not have to pay the higher fees, reports Reuters from Moscow.

A ministry telegram obtained yesterday said the state pricing committee decided on October 20 to raise tariffs within the CIS (including Georgia and Azerbaijan). But the increase did not apply to cargoes destined for export to non-CIS markets "through Russian railway stations located near ports or state frontiers".

The telegram, dated October 19, said freight charges would be based on tariffs set in 1989 multiplied by 2.483 for wagon

and container dispatches, and by 4.922 for smaller deliveries.

With the exception of export cargoes, 20 per cent value added tax will be maintained for all goods, the telegram said. It was not clear if the new fees will also apply to imports, including metal ores and concentrates brought to Russia for refining - refining the metal in Russia and selling it to export markets.

Many companies complain high rail tariffs, taxes and other costs are making trade unprofitable.

Trade sources say there have been rumours of a further rise in freight tariffs by 15 or 20 per cent this month.

One official source said there would probably not be any increases, at least until December.

# Cocoa and coffee lift LCE trade

By Alison Maitland

COCOA and coffee futures and options had another active month on the London Commodity Exchange last month, lifting trading volumes 30 per cent compared with a year ago. The cocoa futures market, where average daily turnover was 8,226 lots, up 51 per cent on October 1992. Open interest - the number of contracts not liquidated - was up 74 per cent at 149,598 lots.

Total options turnover rose 83 per cent, with particular interest in cocoa options, up 187 per cent, and robusta coffee options (69 per cent), though trading in robusta futures was down 20 per cent on a year ago. Volumes overall were 34 per cent down on September.

# MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market, 99.6 per cent, \$ per lb, in warehouse, 1,680-1,625 (same).

**BISMUTH:** European free market, min. 99.99 per cent, \$ per lb, in warehouse, 3,300-2,500 (same).

**CADMIUM:** European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.39-0.42.

**COBALT:** MB free market, 99.8 per cent, \$ per lb, in warehouse, 11.40-12.00 (11.56-12.10); 99.3 per cent, \$ per lb, in warehouse, 10.65-11.10 (10.65-11.20).

**MERCURY:** European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 90-108 (85-110).

**MOLYBDENUM:** European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.55-2.65 (same).

**SELENIUM:** European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.45-5.25.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif. 27-37.

**VANADIUM:** European free market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif. 1.30-1.45 (same).

**URANIUM:** Nuxeo exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 6.90 (same).

# WORLD COMMODITIES PRICES

## MARKET REPORT

News that OPEC cut crude oil output in October failed to drive prices higher yesterday. London December futures for the world benchmark Brent Blend crude briefly fell below \$15.90 per barrel, down 30 cents from Monday when the market tried a rally. A Reuters monthly survey of industry estimates put October production by OPEC (Organisation of the Petroleum Exporting Countries) at 24.67m barrels daily. This was down 140,000 from the Reuters estimate for September and 450,000 lower than a year ago - when prices were \$4.0 higher. If OPEC has curbed excess supply,

however, demand for oil has remained stubbornly weak in a recessionary world economy and this was cited as the other reason for the decline of 20 per cent in world oil prices this year. OPEC leaders, however, believe that prices are poised to head higher.

**GOLD** attempted a tentative recovery after the sharp fall, lead by silver, on Monday. But after being "fixed" at \$363 a troy ounce in the afternoon, gold closed in London last night down another \$1.75 an ounce at \$361. Silver closed another 3.5 cents down.

Compiled from Reuters

## London Markets

FUEL MARKETS		
Commodity	Unit	Price
Crude oil (per barrel FOB Dec)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	15.85
Brent Blend (May)	£	15.85
Brent Blend (Jun)	£	15.85
Brent Blend (Jul)	£	15.85
Brent Blend (Aug)	£	15.85
Brent Blend (Sep)	£	15.85
Brent Blend (Oct)	£	15.85
Brent Blend (Nov)	£	15.85
Brent Blend (Dec)	£	15.85
Brent Blend (Jan)	£	15.85
Brent Blend (Feb)	£	15.85
Brent Blend (Mar)	£	15.85
Brent Blend (Apr)	£	







## ENGINEERING-051

[illegible]



INVESTMENT TRUSTS - Cont.

Stock	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	
-------	-------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	--



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 573 4878 for more details.

ST	Unit	7/1	7/2	7/3	7/4	7/5	7/6	7/7	7/8	7/9	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25	7/26	7/27	7/28	7/29	7/30	7/31	7/32	7/33	7/34	7/35	7/36	7/37	7/38	7/39	7/40	7/41	7/42	7/43	7/44	7/45	7/46	7/47	7/48	7/49	7/50	7/51	7/52	7/53	7/54	7/55	7/56	7/57	7/58	7/59	7/60	7/61	7/62	7/63	7/64	7/65	7/66	7/67	7/68	7/69	7/70	7/71	7/72	7/73	7/74	7/75	7/76	7/77	7/78	7/79	7/80	7/81	7/82	7/83	7/84	7/85	7/86	7/87	7/88	7/89	7/90	7/91	7/92	7/93	7/94	7/95	7/96	7/97	7/98	7/99	7/100
ST	Unit	7/1	7/2	7/3	7/4	7/5	7/6	7/7	7/8	7/9	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25	7/26	7/27	7/28	7/29	7/30	7/31	7/32	7/33	7/34	7/35	7/36	7/37	7/38	7/39	7/40	7/41	7/42	7/43	7/44	7/45	7/46	7/47	7/48	7/49	7/50	7/51	7/52	7/53	7/54	7/55	7/56	7/57	7/58	7/59	7/60	7/61	7/62	7/63	7/64	7/65	7/66	7/67	7/68	7/69	7/70	7/71	7/72	7/73	7/74	7/75	7/76	7/77	7/78	7/79	7/80	7/81	7/82	7/83	7/84	7/85	7/86	7/87	7/88	7/89	7/90	7/91	7/92	7/93	7/94	7/95	7/96	7/97	7/98	7/99	7/100
ST	Unit	7/1	7/2	7/3	7/4	7/5	7/6	7/7	7/8	7/9	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25	7/26	7/27	7/28	7/29	7/30	7/31	7/32	7/33	7/34	7/35	7/36	7/37	7/38	7/39	7/40	7/41	7/42	7/43	7/44	7/45	7/46	7/47	7/48	7/49	7/50	7/51	7/52	7/53	7/54	7/55	7/56	7/57	7/58	7/59	7/60	7/61	7/62	7/63	7/64	7/65	7/66	7/67	7/68	7/69	7/70	7/71	7/72	7/73	7/74	7/75	7/76	7/77	7/78	7/79	7/80	7/81	7/82	7/83	7/84	7/85	7/86	7/87	7/88	7/89	7/90	7/91	7/92	7/93	7/94	7/95	7/96	7/97	7/98	7/99	7/100

[illegible][illegible]



31

## 31

[illegible]

5

5



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]



led  
ili-[illegible]







## MONTREAL

[illegible]

RES	1963				1963	
	Nov	Nov	Oct			
	2	1	29	28	HIGH	LOW
AUSTRALIA						
Al Airlines (A1/A8)	2123.3	2122.4	2122.2	2073.5	2123.4 (A1/A1)	1468.9 (A1/A1)
Al Airlines (A1/A8)	279.6	286.4	276.5	253.9	284.0 (A1/A1)	194.7 (A1/A1)
AUSTRIA						
Drus Airlines (D1/A1)	426.2	41	426.4	416.1	424.6 (A1/A1)	300.26 (A1/A1)
Drus Airlines (D1/A1)	1294.3	12	1291.0	1273.5	1284.3 (A1/A1)	712.0 (A1/A1)
BELGIUM (B1/A1)	1283.7	12	1281.3	1273.3	1281.7 (A1/A1)	1123.4 (A1/A1)
GERMANY						
Deutsche Lufthansa (D1/A1)	361.22	348.79	348.29	343.89	357.85 (A1/A1)	291.99 (A1/A1)
FRANCE						
Compagnie Generale (C1/A1)	1295.4	1264.7	1257.4	1255.5	1298.6 (A1/A1)	942.10 (A1/A1)
NETHERLANDS						
KLM (K1/A1)	871.61	87	876.4	871.37	873.73 (A1/A1)	764.59 (A1/A1)
NETHERLANDS	718.21	71	718.5	713.89	727.19 (A1/A1)	777.21 (A1/A1)
GERMANY						
FLA Airlines (F1/A1)	692.2	724.18	714.58	713.75	693.95 (A1/A1)	595.95 (A1/A1)
Compagnie Generale (C1/A1)	2208.29	2274.00	2275.00	2275.00	2281.29 (A1/A1)	1984.29 (A1/A1)
CO (C1/A1)	2208.29	2202.12	2205.00	2203.46	2215.10 (A1/A1)	1915.10 (A1/A1)
NETHERLANDS						
KLM (K1/A1)	662.21	652.19	653.09	651.17	662.21 (A1/A1)	547.79 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	1283.24	1277.25	1276.47	1278.26	1282.24 (A1/A1)	1191.19 (A1/A1)
ITALY						
Al Airlines (A1/A1)	2127.7	21	2124.1	2127.5	2127.5 (A1/A1)	1468.9 (A1/A1)
Al Airlines (A1/A1)	279.6	286.4	276.5	253.9	284.0 (A1/A1)	194.7 (A1/A1)
JAPAN						
Japan Airlines (J1/A1)	1277.54	1268.54	1268.54	1247.45	1248.11 (A1/A1)	1027.45 (A1/A1)
Japan Airlines (J1/A1)	182.17	183.73	182.17	182.17	182.17 (A1/A1)	182.17 (A1/A1)
Japan Airlines (J1/A1)	227.5	228.07	227.5	227.5	228.07 (A1/A1)	182.17 (A1/A1)
NETHERLANDS						
KLM (K1/A1)	672.28	657.25	671.25	646.71	672.28 (A1/A1)	613.28 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	418.2	413.2	413.2	405.5	418.2 (A1/A1)	362.75 (A1/A1)
CO (C1/A1)	279.6	286.4	276.5	253.9	284.0 (A1/A1)	194.7 (A1/A1)
NORWAY						
NO (N1/A1)	1034.39	1027.81	1034.93	1017.25	1034.39 (A1/A1)	888.93 (A1/A1)
PHILIPPINES						
Philippine Airlines (P1/A1)	12	12	2272.88	2253.39	2272.88 (A1/A1)	1720.88 (A1/A1)
ROMANIA						
RO (R1/A1)	653.89	654.36	653.89	651.31	654.36 (A1/A1)	564.36 (A1/A1)
SOUTH AFRICA						
South African Airways (S1/A1)	1752.09	1700.13	1752.13	1770.0	1752.09 (A1/A1)	1752.09 (A1/A1)
South African Airways (S1/A1)	4350.9	4350.9	4350.9	4350.9	4350.9 (A1/A1)	4350.9 (A1/A1)
SOUTH KOREA**						
South Korean Air (K1/A1)	738.42	731.79	742.72	743.25	777.25 (A1/A1)	603.19 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	361.22	348.79	348.29	343.89	357.85 (A1/A1)	291.99 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	1474.04	1453.00	1453.00	1427.39	1453.00 (A1/A1)	879.19 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	1174.04	1171.39	1168.33	1161.37	1174.04 (A1/A1)	879.19 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	622.69	623.18	624.14	621.87	622.69 (A1/A1)	578.17 (A1/A1)
NETHERLANDS						
Deutsche Lufthansa (D1/A1)	422.75	41	421.17	408.87	421.29 (A1/A1)	300.26 (A1/A1)
NET						

\*Schedules October 25. Times Midpoint Paris (A1/A1). Rome Coast (A1/A1).  
\*\*Times in official columns.  
\*Continued on VLSB BKT.

Active Stocks per 2, 1993			
	Stocks	Closing	Change
	Traded	Price	on day
any Corp.	2.1m	4.870	+10
Financials (dist)	0.0m	2.450	+10
Financials (dist)	1.0m	2.300	+10
any	1.0m	6.05	-6
Financials (dist)	1.7m	3.200	+10

ing  
orts  
r of  
lled

**FAR MORE THAN FINANCE**

ing  
orts  
r of  
lled



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**4 pm close November 2**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140
141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160
161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180
181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220
221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240
241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260
261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280
281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320
321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340
341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360
361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380
381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400
401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420
421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440
441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460
461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480
481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500
501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520
521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540
541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560
561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580
581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600
601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620
621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640
641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660
661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680
681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700
701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720
721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740
741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760
761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780
781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800
801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820
821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840
841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860
861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880
881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900
901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920
921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940
941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960
961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980
981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000

TECHNOLOGY THAT WORKS FOR LIFE

Samsung  
4 Head Hi-Fi Stereo VCR

Jog & Shuttle  
Auto Transport

SAMSUNG  
ELECTRONICS



**NASDAQ NATIONAL MARKET**[illegible]

**4 per class November 2**

[illegible]

Barrier battle ends with something for every

victim  
reports

number of  
killed  
in mili-

victim  
reports

number of  
killed  
in mili-







## MOROCCO

Wednesday November 3 1993

Foreign policy stance seems to have been vindicated. Page 4

Morocco is more self-confident than in 1983 when a balance of payments crisis forced it to reschedule foreign debt. King Hassan provides stability and there has been some progress on liberalising the economy, write

Roger Matthews and Francis Ghiles

## Press on the accelerator

Morocco is in the process of reviewing its identity. Geographically, it is part of north Africa, but emotionally it is strongly tied to the Arab world. Devotionally, it belongs to Islam, but economically it has decided that it wishes to be linked to Europe.

The priorities given to those potentially conflicting characteristics, under the leadership of what remains ultimately an absolute monarchy, is likely to define Morocco's capacity to realise its considerable potential during the remaining years of this century.

The one apparently sure thing is that the changes will be gradual and the signposts may simultaneously point in different directions. King Hassan II, who appears to sit more comfortably on his throne than at any time since he took over from his father Mohammed V in 1961, exercises his power with acknowledged skill but not always with the most obvious intentions.

The interpretation of royal wishes, like the sources of information and the identity of the most influential advisers at the royal court, has long been one of Rabat's most engaging activities.

There are, however, certain imperatives which up monarch or government can safely

ignore. Morocco's population of some 26m (it could be a million or two more) is growing by at least 2.2 per cent a year. Some 60 per cent of Moroccans are under 20 years old and more than 50 per cent of adult males are illiterate. Urban unemployment is unofficially estimated at 20 per cent or more, while there is considerably greater underemployment in rural areas.

World Bank studies suggest that 13 per cent of the population lives below the poverty line, with another 8 per cent only marginally above it. Income disparities are substantial, particularly between town and country. Across a wide range of social indicators, Morocco lags well behind other countries with similar per capita incomes.

The need for social advancement, especially among the most disadvantaged, has taken on greater urgency with the spread of Islamic militancy throughout the Arab nations. The alarming social, political and economic deterioration in neighbouring Algeria is an uncomfortably close reminder of what can happen when an entrenched government fails to respond adequately to popular demands.

Plentiful reasons can be advanced to explain why Morocco will continue to avoid the pitfalls suffered by its neighbour King Hassan enjoys



A Moroccan street scene: the economy is becoming more market-oriented but the business community wants a more vigorous approach

widespread respect, if not always affection. His judgment and policies on major foreign policy issues, such as the Arab-Israeli conflict and the Gulf war, have been substantially vindicated.

The visit to Rabat in September by Mr Yitzhak Rabin, Israel's prime minister, recognised the importance of King Hassan's long-term commitment to a negotiated peace settlement. His support for the western-led military action to evict Iraqi forces from Kuwait flew in the face of popular sentiment, but is now seen by many Moroccans to have been a politically astute decision.

The "green march" in 1976, which brought the Western Sahara under Moroccan control, is still disputed by the international community but looks increasingly irreversible and was, in domestic terms, arguably the single most

important decision of King Hassan's reign.

As Commander of the Faithful and a direct descendant of the Prophet, King Hassan can also claim a religious authority which appears to be largely unchallenged. Some Moroccans say they sense a growing Islamic militancy, but are hard pressed to provide evidence of it.

The country's political parties are all, to a greater or lesser extent, monarchist. When this embraces even the communists, the scope for ideological debate is necessarily limited and confines itself to policy priorities rather than fundamental aims.

The first round of elections for a new parliament earlier this year was thought by independent observers to be relatively free. The second round, for reasons that are not immediately obvious, fell miserably

short of that objective. But despite the disputed outcome, Morocco is advancing, however slowly, towards a more representative form of government in which the prime minister theoretically enjoys greater freedom of action.

Rather more impressive progress has been made during the past decade in the structural readjustment of the economy along lines encouraged by the IMF and World Bank. The budget deficit has been reduced to about 2 per cent of GDP, the current account deficit has dropped sharply as exports increased, rescheduling agreements have lowered the debt service ratio and inflation has been reduced to around 5 per cent.

Windfall benefits, such as Saudi Arabia's agreement to wipe out debts of more than \$3bn following the Gulf war, have, however, been offset by

two years of drought which last year curtailed agricultural output and caused an estimated 3 per cent fall in gross domestic product.

The vagaries of the weather, and the consequent sharp fluctuations in annual GDP, lend even greater weight to arguments advanced by members of the business community for a more vigorous approach to the liberalisation and diversification of the economy. They acknowledge that the government is edging in the right direction.

A range of measures over the past few years, including a reduction in tariffs, lower import duties, an easing of licensing restrictions, the convertibility of the dirham, financial sector reforms and the privatisation programme is helping to make the economy more market-oriented. One immediately beneficial

result has been a sharp increase in direct foreign investment which last year was estimated at \$500m, more than double the figure for 1990. But whether this is happening quickly enough to create the hundreds of thousands of new jobs that Morocco needs every year to satisfy new entrants to the labour market is open to doubt. The pace of industrialisation remains sluggish compared with many other countries at a similar stage of development. It must accelerate if Morocco is to take full advantage of the partnership agreement it is negotiating with the European Community.

The economic picture is additionally complicated by the ill-defined but undoubtedly substantial "informal sector", which ranges from an impressive array of illegal imports to the flourishing production and export of cannabis, said by some diplomats to account for about 30 per cent of Europe's annual consumption and to be worth around \$2bn a year. Such trade can only complicate Morocco's desire to strengthen its links with the EC, while also posing uncomfortable questions about the country's policing and judicial system.

How keenly Morocco intends to address these issues depends heavily on King Hassan and the legacy he wishes to bequeath. He is only 54 and in good health, but the political dominance of the monarch is such that any discussion in Rabat about Morocco's future cannot avoid the issue of the succession.

The king's experience and skills in manipulating and balancing the diverse centres of power and influence within the country are unlikely to be inherited intact by Crown Prince Sidi Mohammed, who may anyway wish to pursue a less directly interventionist role. Many Moroccans accept that for the next few years at least the country will need a strong, unifying force at the centre.

If there is a vision and an example of how Morocco should evolve in the next two decades, the most often mentioned is that of Spain, just 14

### IN THIS SURVEY

- ☐ The economy: debt is under control, but change is still needed Page 2
- ☐ Privatisation: investors may be attracted as target looks set to be beaten Page 2
- ☐ Agricultural reforms: quiet revolution is under way Page 3
- ☐ Tourism: hotels are doing better but why does the Canary Islands get five times as many visitors? Page 3
- ☐ Foreign policy: negotiations with the European Community Page 3
- ☐ Banking: sleepy giants face market Page 4
- ☐ Relations with Spain: investors pack flights to Rabat Page 4
- ☐ Western Sahara: the government's acts of faith Page 5
- ☐ Informal sector: hub of undeclared activity Page 5
- ☐ Industry: government's passive attitude under attack Page 6
- ☐ Businessman's guide Page 6
- ☐ MAP Page 6

Editorial production: Gabriel Bonman

Design: Robin Cole

kilometres away.

Morocco, like Spain in the 1950s and 1960s, is authoritarian, close to Europe but far from it politically, agricultural but with huge industrial and tourism potential, and with a growing nucleus of young professionals who are internationally aware but increasingly frustrated by a cumbersome and restrictive bureaucracy.

By the time of General Francisco Franco's death in the mid-1970s, the growth of the Spanish economy and a burgeoning middle class had laid the basis for a relatively smooth political liberalisation and eventual transfer of power. It might seem wildly fanciful today to see Crown Prince Sidi Mohammed as a future King Juan Carlos, but as a signpost for the future it points in a general direction that most other Arab populations would envy.

The Moroccan

in Morocco...

a diversified  
valorisation

technical know-how

important  
deposits

... an international dimension  
a centre of regional and national development



A FEAST FOR THE SENSES

For further information contact: Moroccan National Tourist Office, 305 Regent Street, London W1R 7 DE  
Tel: 071 437 0073 Fax: 071 734 81 72

M  
O  
R  
O  
C  
C  
O



Scheherazade Daneshkhu on economic problems and achievements

# Debt is under control but change is still needed

IN THE expanding high rise buildings of Casablanca, Morocco's industrial and banking base, the whiff of dynamism and of an economy at work is strong. And it is in Rabat, the seat of the king, his ministers and of decision-making, that the quiet hum of satisfaction at the country's recent economic successes can be discerned.

Morocco, which at one stage looked as if it would go the way of Latin America, appears to have escaped the fate of countries that are saddled by increasing debt and uncontrollable inflation. Instead, it presents an impressive macro-economic record. It still faces an enormous challenge, however, in trying to improve the country's social development record.

The origin of Morocco's debt problem is to be found in the severe bout of overspending in the 1970s when, after the rise in the price of oil by the oil-producing countries, the price of phosphates, Morocco's largest mineral export, also increased. It went on a spending spree and invested heavily in the development of the phosphate industry - three-quarters of the world's phosphate reserves are in Morocco - but by the early 1980s the collapse of world prices for phosphates, the cost of importing oil and a drought conspired to make it turn to the IMF for help.

Morocco has followed a regime of structural reform since 1984 which has been so well implemented by Mr Mohammed Berrada, the finance minister, that the country has been held up by

At one stage it looked as if Morocco would go the way of Latin America

international institutions as a role model for countries in chronic economic difficulties.

The government's budget deficit has been steadily reduced from around 13 per cent of gross domestic product in the early 1980s to under 3 per cent in 1992. The current account deficit in the balance of payments has also been brought down from 10 per cent to less than 2 per cent over the same period.

This, combined with steady export-led growth, has allowed Morocco to control its total external debt of just over \$21bn. The ratio of debt outstanding and disbursed to GDP dropped from 113 per cent during 1984-87 to 73 per cent in 1992. The ratio of paid debt service to exports declined from

Key Economic Indicators					
	1989	1990	1991	1992	1993*
Real rate of GDP growth (%)	2.5	3.7	5.1	-2.9	3.0
Exports (\$bn)	3.3	4.2	4.3	4.0	3.5
Imports (\$bn)	5.5	6.9	6.9	7.4	8.5
Trade deficit/GDP (%)	-9.4	-10.4	-9.3	-11.7	-10.9
Current account deficit (\$bn)	-1.0	-0.7	-0.6	-0.5	-0.5
as a percentage of GDP	-4.4	-2.8	-2.2	-1.9	-1.7
Foreign investment (\$bn)	228.0	227.0	375.0	504.0	462.0
Outstanding foreign debt (\$bn)	20.6	20.6	21.1	21.3	21.6
Debt service (\$bn)	3.6	3.9	3.3	3.3	2.9
as a percentage of current income	53.6	44.7	38.6	34.6	34.3
of which interest charges (\$bn)	1.4	1.5	1.4	1.3	1.3
as a percentage of GDP	0.0	5.8	5.1	4.7	4.5

\*Forecast.

Source: Ministry of Finance, Rabat.

Foreign investments principal countries (\$bn)					
	1988	1989	1990	1991	1992
France	37.1	63.5	69.9	111.8	118.6
Spain	4.9	13.7	18.8	28.1	95.0
US	3.8	10.3	5.8	10.8	34.4
Switzerland	5.1	12.5	11.9	37.4	32.3
Saudi Arabia	13.8	37.9	20.8	29.5	26.4
Others	64.3	89.1	99.8	157.6	197.3
Total	129.0	226.0	227.0	375.0	504.0

Source: Ministry of Finance, Rabat.

31 to 28 per cent over the same period.

Debt-service repayments with the Paris Club creditors, which account for about half the debt, have been rescheduled several times in the 1980s and what is billed as the last rescheduling took place in February 1992. Some \$2.7bn owing to Saudi Arabia was written off by Riyadh in thanks for Morocco's support of the coalition forces in the war against Iraq.

Morocco hopes that another politically correct tactic will also prove profitable. Rabat was the stopover for a press conference by Mr Yitzhak Rabin, the Israeli prime minister, and Mr Shimon Peres, his foreign minister, who lauded the warm relations extended to them by King Hassan. Morocco is hoping that the move will help attract foreign investment to the country. Last year it increased to \$514m from \$300m the year before.

The result of macro-economic discipline has been to save Morocco from the ravages of inflation. The inflation rate averaged 5 per cent last year, compared to 8.3 per cent in 1991. The dirham has also held its value, allowing the government to introduce dirham convertibility for international transactions in January with full convertibility as the goal.

Despite the years of austerity and the cuts in government spending, the economy has managed to grow, albeit erratically, due to its dependence on the agricultural sector, which is in turn victim of the vicissitudes of rainfall. Gross domestic product averaged 4.5 per cent over the period 1988-1991.

but the economy contracted by 3 per cent last year due to a drought which is now in its second year. The current slump has also been exacerbated by recession in Morocco's main export markets, notably France, which takes some 30 per cent of Moroccan exports.

The trade deficit therefore worsened in 1992 to \$2.4bn from \$2.1bn in 1991, although higher tourism receipts as the sector recovered from the slump caused by the Gulf War which, along with greater remittances from Moroccans working abroad, is the com-

Inflation averaged 5 per cent last year and the goal is full dirham convertibility

try's main source of foreign exchange earnings, narrowed the current account deficit to just over \$500m in 1992 from \$650m in 1991.

The government is now trying to accelerate a process of liberalisation and privatisation to attract foreign investment. In an open letter in July, King Hassan asked Mr Muhammad Karim Lamrani, the prime minister, to speed up the implementation of the structural and administrative reforms to create a favourable environment for productive investment but also to take measures which will allow investors, in the short term, to cope with the vagaries of the economic environment.

However, the success of the structural adjustment programme can mask the very real economic problems facing the majority of the population. A recent World Bank report highlighted lagging performance in social indicators and labour absorption: despite recent progress in reducing poverty, such indicators as child mortality, nutritional status for the lowest income groups, access to safe water, and literacy and primary school enrolment rates, especially among women, remain well below averages for countries with similar per capita incomes.

There has been some improvement since the mid-1980s but many Moroccans feel that the government reacts only when it has no choice. One such time was in 1990, when violent protests against poverty and unemployment prompted an increase in social spending by the government. The population of 26m is young, with over 75 per cent below the age of 25 years. Unemployment, even for university graduates, is a real problem and the most recent estimates, for 1991, put unemployment at 30 per cent in urban areas, compared to 12 per cent 10 years earlier.

Comparisons with neighbouring Tunisia are not flattering. While GNP per capita in Morocco is \$1,030, it is \$1,533 in Tunisia. About one in seven Moroccans lives below the poverty line (an improvement on one in five in 1986) compared with one in 15 in Tunisia. The infant mortality rate is 65 per 1,000 births compared to 43 per 1,000 in Tunisia and life expectancy is 69 years against 70 years for a Tunisian.

About 45 per cent of the population in Morocco lives in the countryside and the rural-urban gap is enormous. Primary school enrolment rates are 75 per cent for boys and 54 per cent for girls, but as low as 35 per cent for girls living in the countryside. Only 23 per cent of the rural population is literate compared with 68 per cent in urban areas. The government is now preparing a strategy to improve living conditions for the poor and has come under pressure from the World Bank to do so, since the second tranche of the Structural Adjustment Loan is dependent on the materialisation of the report.

Some government members are unhappy about the pressure being exerted upon them. "Social development has become fashionable," said one minister. "But how are we to control the economy and spend money on the social side? We need to invest in social development but you can only do that if you have money and for that you need growth."

The government also faces criticism and resentment from its seemingly prosperous business class. "I'm appalled at all the stories about how Morocco's economy is perfect when we all know there are so many problems," says one Moroccan industrialist unhappy at the country's weak industrial structure. "Why do you think foreign investors do not come to Morocco? It is because the business climate is so bad."

Businesses are suffering from a severe shortage of office space due to property speculation which has left rents beyond the reach of all but the very wealthy. As a result, buildings stand empty while accommodation is acutely needed.

While good laws exist, some people complain that the judiciary cannot be relied on to implement them and that it is up to the country's political leaders to set an example.

Morocco will need change from the top if it is to capitalise on its impressive record of structural adjustment and rely on the development of its own productive resources to ease poverty and encourage an efficient economy.

One in seven Moroccans lives below the poverty line compared with one in 15 in Tunisia

ness class. "I'm appalled at all the stories about how Morocco's economy is perfect when we all know there are so many problems," says one Moroccan industrialist unhappy at the country's weak industrial structure. "Why do you think foreign investors do not come to Morocco? It is because the business climate is so bad."

Businesses are suffering from a severe shortage of office space due to property speculation which has left rents beyond the reach of all but the very wealthy. As a result, buildings stand empty while accommodation is acutely needed.

While good laws exist, some people complain that the judiciary cannot be relied on to implement them and that it is up to the country's political leaders to set an example.

Morocco will need change from the top if it is to capitalise on its impressive record of structural adjustment and rely on the development of its own productive resources to ease poverty and encourage an efficient economy.

## Privatisation

Company name	Sector	Status	Type	Amount	Buyer
Société des dérivés du sucre	sugar & yeast prod	done	sealed tender bid	Dh18.49m	Loesire
Compagnie marocaine de gestion des exploitations agricoles	agriculture	done	lease	Dh20m a year	several farmers
Société Chellah confections	textiles	done	private placement	Dh10m	Courtauds
Compagnie de Transports du Maroc	transportation	done	public offering	Dh110.57	Moroccan companies
Hotel Tark Tanguier	tourism	done	sealed tender bid	Dh15.5m	Union Moroccan Hotels
Hotel les Amandiers	tourism	done	sealed tender bid	Dh5m	Florida
Cimenterie de l'Orient	cement manuf	done	public offering	Dh122m	Holderbank
Société pétrolière du Maghreb	gas distribution	done	sealed tender bid	Dh122.4m	Bouleau Gp
Hotel Beama Casablanca	tourism	done	sealed tender bid	Dh50m	Moroccan-Libyan consortium
Société nationale d'électrolyse et de pétrochimie	petrochemicals	done	sealed tender bid	Dh384m	Group Chabli
Compagnie Marocaine des Hydrocarbures	gas distribution	ongoing	sealed tender bid	Dh100m	
Hotel Toubkal, Marrakech	tourism	ongoing	sealed tender bid	Dh35m	
Hotel Volubilis, Fez	tourism	ongoing	sealed tender bid	Dh30m	
Hotel des Iles, Essaouira	tourism	ongoing	sealed tender bid	Dh30m	
Sucocharbo	coal distribution	ongoing	sealed tender bid	Dh46.81m	
Sofac Credit	credit & leasing	ongoing	public offering	Dh87.5m	

\*Two sealed tender bids. (Banque Centrale Populaire, Interfin, Bank of Africa, Al Faram, Aram Invest, CIB).

Source: Update Research, Casablanca.

Francis Ghiles looks at the country's privatisation programme

## Investors may be attracted as target looks set to be beaten

FOR MANY international banks and investment funds, the acquisition by a French subsidiary of the Swiss Holderbank group of a 51 per cent stake in the ONA state cement company last July marked a watershed in Morocco's ambitious privatisation programme.

Privatisation this year has so far brought US\$250m worth of foreign investment into the country. By the end of the year, the authorities are confident that they will have overtaken their initial target by 40 per cent.

Last year, external financing in the form of direct investment covered the whole of the \$600m current account deficit, whereas foreign investment financed only 50 per cent and 23 per cent of the deficit respectively in 1992 and 1991.

Remittances from abroad could prove a significant source of capital for the privatisation programme

The privatisation programme is on target and, if successfully pursued - 113 companies worth an estimated \$2bn are expected to be privatised by the end of 1995 - will play a key role in furthering the liberalisation of the Moroccan economy, modernising the country's industrial sector and strengthening the country's balance of trade. Its success so far is a tribute to Mr Moulay Zine Zaidi, the minister of industry, and Mr Hassan Amrani, his very energetic director of privatisation. The full backing of King Hassan, an essential precondition for any successful venture in Morocco, is assured.

Citibank, which recently signed the first international commercial loan in 10 years for a Moroccan company - US\$30m for the private ONA Group - pointed out in a recent analysis of the Moroccan economy that it felt "comfortable with the country's low level of commercial debt (19 per cent of total external debt), relatively high level of foreign reserves and the Moroccan administration's stated goals to pursue market orientated policies and to re-establish normal relationships with external creditors." The loan for ONA comes 10 years after Morocco was forced to reschedule its foreign debt.

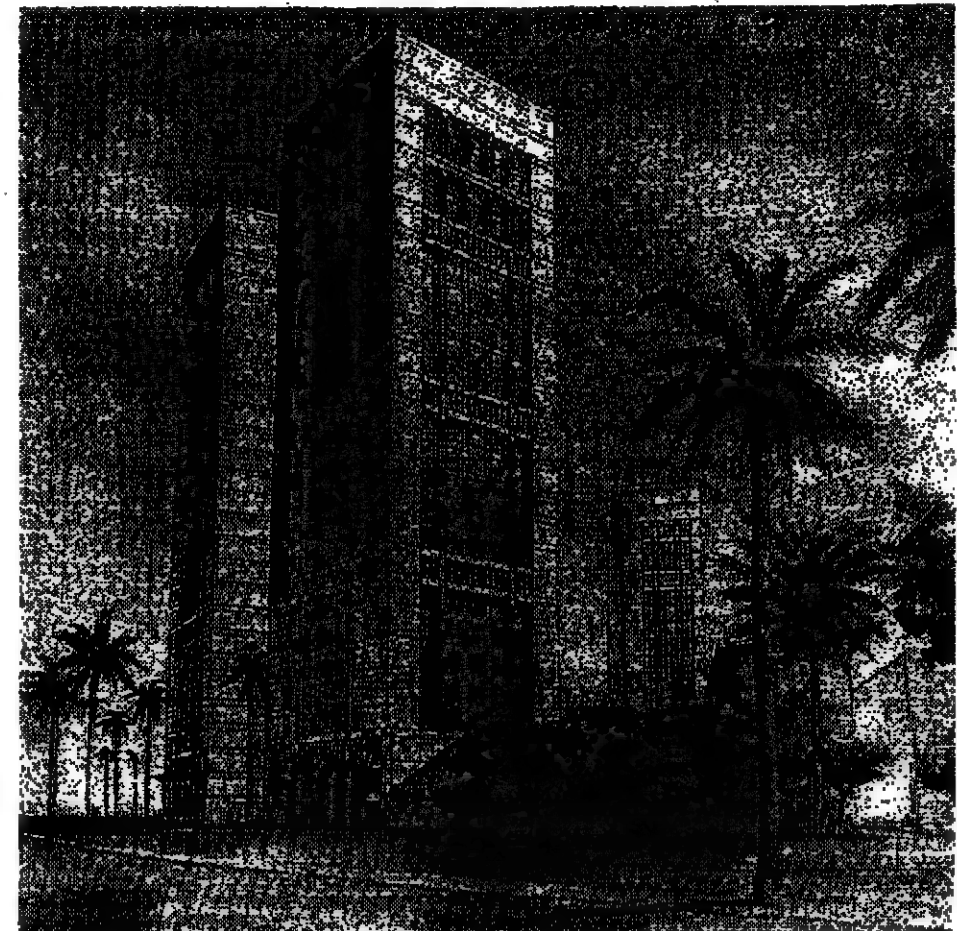
A price tag of Dh1.2bn was put on CIBOR whose sale started the privatisation of CIBOR, an international bank company which was valued at Dh320m and successfully privatised last June. Ten per cent of the shares were sold to the regional authorities in Oujda and Fez in north-eastern Morocco where the company's two plants are located. A further 30,000 shares were earmarked for employees. Some 40 per cent of CIBOR shares were issued on the stock exchange last June and the offer was oversubscribed.

The shares are currently trading at a 34 per cent premium to issue price. The most interesting feature of that sale was the keen interest shown by Moroccans living abroad and which could prove a significant source of capital for the privatisation programme.

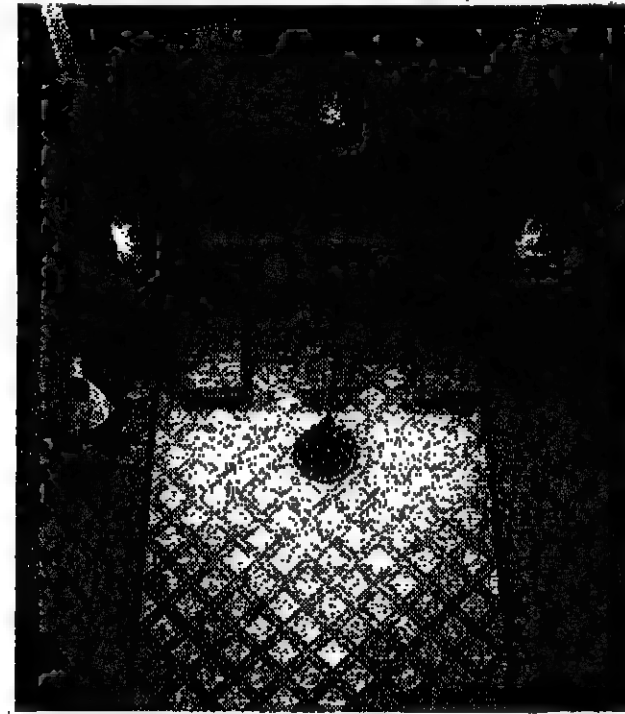
The bourse has, since its creation by the former French colonial ruler, played a very limited role in the economic life of the country. Apart from an odd flurry of activity in French times, the bourse has been effectively moribund by international standards for all its 65 years.

Moroccan savers traditionally invest in real estate or put their money on deposit. Businessmen go to their banks or tap private sources of finance.

As a report by Blakeney Man-



An artist's impression of the design for the Casablanca trade centre



The government carpet shop in the medina, Fez

Fergus Webb

usually within the extended network of family companies and banks. Recently, treasury bills with a yield of 13 per cent tax free have been a magnet for individual investors.

The lethargy of the bourse today does not, however, reflect a lack of demand but rather a combination of chronic shortage of supply, high cost of transaction and

institutional investors are beginning to show interest in acquiring Moroccan shares

insufficient disclosure of company accounts. The privatisation process is thus expected to provide an impetus to the bourse and an opening to foreign institutional investors, for two reasons. One is that it will result in a large increase in liquidity. The second is that the Moroccan government has learnt from other countries' experience and knows that selling off a string of companies to multinational corporations may be the easy way out but it is a method which is both short-sighted and fraught with political risks.

To ensure a privatisation programme is acceptable politically, shares in major companies must be widely distributed and a diversified body of domestic shareholders created.

As a report by Blakeney Man-

agement, the investment adviser, notes: "Neither of these goals can be achieved without an efficient and liquid bourse as a medium of exchange."

Today, there are still only 60 stocks listed on the bourse. Many of these never trade. Many stocks go for weeks without trading and the last price may not reflect current market conditions. Twenty institutional investors, essentially banks and insurance companies constitute a comfortable and rather cosy club.

Three factors however are conspiring to bring changes. First of all the law passed last July on capital markets and mutual funds which will reduce transaction costs and encourage greater demand as the wealthier middle class bank depositors switch some of their funds. The second is the new-found interest in acquiring some Moroccan shares shown by institutional investors such as the US money management fund Templeton, Solomon Brothers and the ONA Group are setting up a \$500m private equity fund. Barings has recently underwriting 400,000 ONA shares for its institutional clients.

Privatisation is encouraging the emergence of investment funds such as Casablanca Finance, which is backed by Banque Commerciale du Maroc. The country's leading private bank, its aim is to

develop corporate and investment banking. Maroc Privatisation is backed by the Marnilles du Mans insurance group and the Société Marocaine de Crédit. Two much larger funds are the \$24m Interfin fund, jointly owned by three Moroccan banks, the International Finance Corporation Spain's Banco Exterior, Credit Lyonnais Investissement and Proparco, the French equivalent of IFC, IFC, together with Siquere, a Lyon-based venture capital group and the Moroccan commercial Wafa Bank, is in the process of setting up a \$40m venture capital fund to help bring equity capital to medium-sized Moroccan companies.

Other interesting developments include the setting up by three young Moroccans of the Upline group, which aims to provide foreigners interested in Morocco with risk assessment studies and investment advisory services. L'Economiste, the first reliable economic and financial weekly, was launched two years ago, edited by the much respected Nadia Salah.

Owned by a small group of private investors, it sells 17,000 to 20,000 copies every week. Its senior editorial and management staff hold 44 per cent of the capital and its publication marks a break with the traditional type of Moroccan newspaper, which is highly politicised and usually sensational in style in a country where the hand of the censor remains heavy.

A further development should help boost Casablanca as a city of international trade and finance. The ONA Group is soon to start building a world trade centre whose facilities, it is hoped, will bring many Moroccan companies into closer touch with what is going on abroad. The two towers, whose architects are Ricardo Bofill and Elie Mouyal, should help embellish the skyline of a city which over the years has grown in rather disorderly fashion.

For the privatisation process to run smoothly and the opening of the Moroccan economy to be confirmed, one factor is still missing: transparency in business. As a recent World Bank summary on "Developing Private Industry in Morocco" underlines, a weak judicial process which is slow, opaque and unpredictable in enforcing rules and resolving disputes is, in the view of foreign companies, "an important obstacle to investment."

## Baring Securities

### Baring Securities in Morocco

Baring Securities has achieved a leading position in the coverage of emerging markets. This is borne out by its consistent performance in major research surveys.

Baring Securities is now expanding its activities to include a selection of new emerging markets considered to have exceptional potential.

Morocco is key in this selection.

Baring Securities' stock market review on Morocco represents the first in a range of research products on the new emerging markets.

A full sales and execution service is available to institutional investors through the following offices:

London		New York	
Baring Securities Limited		Baring Securities Inc.	
Tel: (4471) 522 6000		Tel: (1 212) 350 7700	
Member of The Securities and Futures Authority		Member of The New York Stock Exchange, Inc.	
Member of The London Stock Exchange		Member of NASD	



LONDON TOKYO NEW YORK BANGKOK BOGOTA BUENOS AIRES GENEVA HONG KONG JAKARTA KUALA LUMPUR  
MANILA MEXICO CITY OSAKA PARIS SAN FRANCISCO SAO PAULO SEOUL SINGAPORE TAIPEI

27/11/93



Now the country must co-ordinate its agricultural reforms, writes Francis Ghiles

## Quiet revolution is under way in farming

TEN years ago, 57 per cent of Morocco's population lived and worked on the land. That percentage has declined to 50 per cent and is set to continue its downward trend.

However, fewer than half of all the jobs in Morocco are on the land, as between one fifth and one quarter of all farmers are seriously under-employed. Overall, this sector contributes nearly 20 per cent of gross domestic product, yet the average income of those who till the land amounts to half that obtained in the towns.

Imports of foodstuffs account for 12 per cent of Morocco's trade deficit which in 1990-92 averaged \$1.5bn a year. Yet exports of farm produce average 17 per cent of total exports and are growing, though in erratic fashion because of very contrasting climatic conditions (the country has suffered badly from drought since 1991) makes the sector's contribution to national wealth volatile.

Many difficult problems confront the Moroccan countryside. It remains under-equipped in many ways. Few small farmers have electricity, let alone running water, and little has been done to improve

communications with outlying areas. The land remains extremely fragmented, with the average farms no more than 4.8 hectares, the average age of farmers is over 50 and between two-thirds and three-quarters of the population remains illiterate.

Yet despite these difficulties, a quiet revolution is under way. Much of the credit for these changes rests with Mr Othman Dammati, who left the government earlier this year after a decade during which his reputation was steadily enhanced, an unusual outcome for someone occupying a ministerial portfolio in Morocco for so long.

A private landowner himself and a man of common sense and determination, Mr Dammati set about changing a policy which, in the 25 years after independence in 1957 had seen it pay for the development of industry. Luckily, such a pol-



Harvesting spring melons in Haouz, near Marrakesh (left). Exports of these and other fruit have grown considerably, but there are still plenty of melons for sale in the Fes medina (right)



icy was not pursued, as in many other Arab or African countries, with the kind of ideological drive displayed in neighbouring Algeria.

Furthermore, the monarch had no intention of impoverishing the countryside, from which he still draws considerable support. Throughout his

reign, King Hassan has insisted that investment in water was essential.

It is thanks to this policy that 10 per cent of all usable land is irrigated. Production from such land today accounts for 45 per cent of the added value of farm production and 60 per cent of the value of

exports.

In 1984, after three years of very severe drought, King Hassan decreed that farming would be exempt from taxes until the year 2000. Though it discriminated between rich and poor farmers, the decree was more than justified because the old agricultural tax yielded less than it cost to levy. A 50 per cent devaluation of the dirham over 10 years has provided a strong boost.

The results are remarkable. The diversity of Moroccan production has grown. Potatoes, courgettes, winter melons, strawberries, artichokes grown from seed, peas, chilli peppers, mange-tout and cut flowers have been added to the traditional list of tomatoes and citrus.

Even more remarkably, half of all exports now go to markets outside the European Community, notably to Canada and Scandinavia. Within the EC, Moroccan exporters have targeted the UK and Germany, markets where they were hardly present a decade ago, successfully. They are now taking their produce directly into Portsmouth through Geest, a large UK shipping, distribution and packaging company and into Bremen in north Germany. They are selling to eastern Europe, in exchange for hard cash.

Where exports have not been diversified, difficulties remain. Sixty-five per cent of all tomatoes are exported to France, where they risk being destroyed by irate French farmers. Spain and France are in direct competition with

Morocco but the EC has proved, overall, a good market for those producers in Morocco who innovate and upgrade quality - in other words, are really professional.

Around Agadir on the Atlantic coast of southern Morocco, the carefully cultivated plain which boasts 300 days of sunshine a year looks from the air

Not only is production increasing and getting very diversified, but more added value is being put onto products in Morocco. French bulk importers of Moroccan potatoes are now happy to treat and repack Moroccan potatoes in winter months because their profit margins are under pressure owing to the recession.

This winter Morocco will start treating and packaging some of its own potatoes before exporting them. Chilli peppers produced around Larache are being turned into paprika before being exported.

Other factors have contributed to this revolution. One is that by introducing Israeli seeds to Morocco a few years ago, the authorities have in effect broken what was a virtual Dutch monopoly. Joint ventures with foreign partners, many of whom are actively relocating production, help to explain this success.

Near Agadir, one Swiss investor has built 400 greenhouses at a cost of between \$40m and \$50m since 1980. The Spanish seem to be everywhere, in Larache near Tangiers in the north and around Agadir.

British and French investors are present in the vast irrigated Haouz project around Marrakesh, which boasts a computer-controlled water distribution system worthy of the best in the west. The Italians, the French and the Dutch are, growing roses on 120 hectares of land in joint ventures with Moroccan farmers. Seventy per cent of the production is exported to Holland, Canada and the US.

debt forced on Morocco after 1983 have been the key to the current changes. Indeed, the abolition of the state export monopoly of fruit and vegetables and its replacement by private groups such as Atlas Fruit Board, which handles exports from the king's domains, have made all the difference.

Another debate is now opening up which centres on why Morocco should be self-sufficient in a number of foodstuffs such as sugar. Two-thirds of the sugar that Morocco consumes comes from the central Doukkala, Tadla and Gharb regions. But small local farmers are increasingly protesting against the local water boards that impose a pattern of water distribution which is only of use to those who grow sugar beet. So great is their obduracy that some farmers have taken to sinking small wells and storing the water, thus escaping the tyranny of the water boards.

Sugar beet is very labour-intensive and thus its cultivation reduces unemployment. Against that rather political logic, a new logic is increasingly rearing its head, that is the logic of the market and a real appreciation of the costs of production. And water is a key here as Morocco must manage its water resources with greater care. Needs are huge, while resources are increasingly expensive to mobilise, but years of drought will force, every few years, some water resources to be used for cereals rather than fruit and vegetable crops.

Mr Dammati is believed to have left his post because he could not get the government to agree to co-ordinate the different aspects of rural development - bringing electricity, schools, roads and running water to what remains a physically and tribally very fragmented countryside. He appears, most notably, to have run into difficulties with the powerful ministry of the interior.

Here, as in other sectors, the challenge Morocco faces in the next few years is to co-ordinate reforms which to date have often been conducted sector by sector and avoid what a recent strategic study on "Rural Development" from the Ministry of Agriculture describes as "confrontation" between different ministries and economic interests. Such a change would hold the key to further rationalising and developing the farming wealth of Morocco.



The casbah (walled town) in Agadir, northern Morocco

TOURISTS ARE back in force and hotel managers are smiling again. The Iraqi invasion of Kuwait three years ago was catastrophic for the tourist sector, which remains Morocco's second largest hard currency earner, after remittances from Moroccan workers living in western Europe. Last year's net receipts from tourists, \$1.1bn, were one-third up on 1991 and this year is expected to be even better.

France remains the leading source of visitors with more than 2m, followed by Germany with 1.7m visitors, and then Spain and Italy. The recovery in tourist numbers, notably in Marrakesh, has been helped by the war in former Yugoslavia and attacks on tourists in Egypt and, more recently, Turkey. Casablanca has also seen a larger flow of visitors, both tourists and businessmen.

However, the gains may not be as great as they seem. Not only are European tourists spending little outside their hotels, but the price of many tours and hotel rooms for businessmen can easily be booked at discounts of 30 to 50 per cent.

In 1980, Lord Salisbury dismissed Morocco as an "enormous amount of sand" which he was happy to let the "Gaelic cockerel" have. That remark is very unfair to the sheer beauty and variety of the lands ruled by the oldest monarchy in the Arab world.

For those who seek sun and sea, good beaches abound along the Mediterranean and Atlantic coasts. Around Agadir, one may enjoy 300 days of sunshine a year. For those with more cultural pursuits, the old imperial cities of Fes and Marrakesh offer the easiest exposure to the "mystical Orient". For the rapidly growing adventure holiday sector, walking and skiing in the High Atlas mountains and motorizing to the spectacular Saharan valleys around Erfoud and Zagora offer endless scope.

Morocco has been spared the vandalism of its coastline so characteristic of parts of Greece and Spain, yet its lack of visitors remains a puzzle. Why does the country do so better than Tunisia, its small eastern neighbour, whose scenery and traditions, however pleasant, are no match for its own? Why does Morocco attract those who visit the Canary Islands? The two main reasons are not too hard to find.

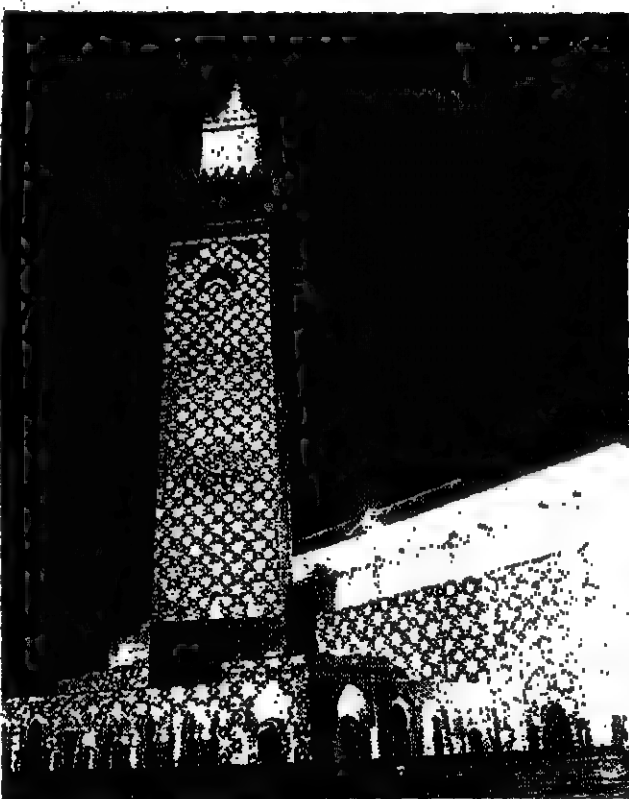
First of all, foreign visitors are liable to harassment by hordes of teenage touts and "guides" almost wherever they go. Secondly, there is often no obvious connection between the number of stars that a hotel boasts and the quality of service that the tourist should expect.

1. More discerning visitors are also disappointed by the absence of any serious policy to restore old buildings and to restore the "beautiful" and the lack of any cultural activities, except for dances, most of which are a source of embarrassment rather than entertainment.

The authorities have often promised to crack down on unofficial guides and beggars and on unscrupulous taxi drivers, whose endless expectations of yet another tip helps to

Hotels are doing better, but the industry still has problems

## How to tempt the tourist



The King Hassan II mosque in Casablanca, which combines high technology with the ornate Moroccan tradition, is estimated to have cost \$600m. It was inaugurated by the king at the end of August

explain why, for so many European visitors, their first visit to Morocco is their last. Begging has begun to be discussed more openly in the media, notably on television. Nevertheless, in Marrakesh the situation is so bad that many Moroccan nationals refuse to visit the city.

Repression alone will not provide an answer as the intricate network of protection and corruption, built up over the years and taking in shopkeepers, young Moroccan guides and the local police, makes the problem a complex one to unscramble. Income disparities in Morocco remain great and the European visitor is inevitably cast as the rich man, particularly in towns such as Marrakesh and Fes, where one fifth of the population remains unemployed. In Marrakesh one half of the population is believed to derive its living, directly or indirectly, from tourism. The last two years of drought have compounded difficulties as more people than usual flock from the countryside to the cities desperately seeking some means of earning a living.

Many Moroccans suspect that the aggressive attitudes shown to foreign visitors are not susceptible of an easy cure. Morocco is paying for its high income disparities and poor education system, which leaves two-thirds of the population illiterate. The comparison with Tunisia is instructive - there harassment is simply not a problem.

2. The second reason is equally complex. Morocco has always prided itself on being an upmarket destination. Yet despite the "beautiful" people who travel to Marrakesh, most European visitors travel on package tours, like millions of

others around the Mediterranean. Yet they are often billeted in four- or five-star hotels, which provide only what has been paid for, not that demanded by high-class establishments.

The authorities have tried to downgrade certain hotels, but nonetheless the visitor must be prepared for surprises. Some three-star hotels are excellent, but many five-star hotels are not worth the money.

It is damaging to the country's reputation among tourists when hotels such as the Hotel Palais Jamal, which dominates Fes and is meant for the seriously rich, provide indifferent service or when the Tour Hassan Hotel, the second best in the capital, Rabat, charges prices way above the service it offers. Its five-star de luxe status is viewed, in Rabat, as a bit of a joke.

The Tour Hassan is privately managed which shows that a privately-run hotel can be as badly run as a public sector one. In general, Morocco's hotels are burdened with a surfeit of stars, the older hotels suffer from lack of upkeep and many establishments have a gang-bro attitude towards their customers. However, there are enough well-managed hotels to suggest that Moroccans are capable of maintaining high standards. The Royal Mansour in Casablanca, which is managed by Forte, and the Minzah in Tangiers, perhaps the most attractive hotel in Morocco, are two prime examples. Further down the scale, the Idu Anfa and Kandara hotels in Casablanca offer good service at a reasonable price.

More recently, a new chain called Moussafir started to open hotels that operated on a new formula. All are built at

railway terminals and though boasting only three stars they are competitively priced, decorated in a simple style and provide good service. They enjoy a 75 per cent occupancy rate. Eleven more are due to open in the next few years.

The Moussafir chain is the brainchild of the largest private group in Morocco, ONA, which owns the hotels jointly with the Banque Commerciale du Maroc and the Moroccan state railway company ONCF. Unlike many hotels in Morocco, these hotels are staffed by professionally trained personnel.

ONA is also launching three large "integrated" tourist projects in Cabo Negro, near Tetouan, in the north, Casablanca and Marrakesh. All will have golf courses and with luck will provide an example to others.

The difficulty of imposing modern standards of management in many hotels stems from the fact that many private entrepreneurs who have made money in one sector like to invest their savings in bricks and mortar. They often run their hotels themselves, and do not allow the professionally trained managers they appoint any real say in decisions. They do not see fit to reinvest profits in the business and thus standards deteriorate over time. Too many hotels are built for essentially speculative reasons.

Another, historical, reason explains this lack of progress. Until the Treaty of Fes established the French and Spanish protectorates in 1912, Morocco was as closed and unknown to foreigners as Tibet. The country had been an independent kingdom since the arrival of Moulay Idriss, a grandson of the prophet Muhammad in the 8th century AD. This independence had been fiercely guarded until the beginning of this century.

Being cut off from the outside world did, however, offer the great advantage of preserving, far more than elsewhere in North Africa, old traditions. The other side of the coin is that until recently, Morocco has not been as successful at marketing itself abroad as it should have been.

Nor has the number of just over 84,000 beds increased the figure is what it was six years ago. However, some Moroccan observers argue that the tourist industry's main task should be to raise its standards and to contain harassment.

That means more professional staff and a willingness on the part of the authorities to act rather than talk. Recent measures by Mr Hassan Abouyoub, minister of tourism, suggest he is fully aware of what is needed. If the problems which confront the sector are tackled with determination, the pickings, in terms of foreign income and new jobs - not to mention a kinder perception of Morocco abroad - will be rich indeed.

Francis Ghiles

## INTERNATIONAL BUSINESS, LOOK FOR THE BEST PARTNER

Whether you want to expand your international business or establish new contacts, Banque Populaire, rich with its status as a leader on the national financial scene and its successful experience in international banking and foreign trade, is here to help you, and puts at your disposal:

- its worldwide network of correspondents, selected among the best rated foreign banks,
- its subsidiary Banque chaabi du Maroc in France and its branch in Belgium,
- its subsidiaries in Guinea (Banque Populaire Maroc-Guinéenne) and in the Republic of Central Africa (Banque Populaire Maroc-Centrale),
- its representative offices in Belgium, Canada, Côte d'Ivoire and Spain,
- its trading companies.

As well as its highly professional counsellors in international trade, present in all parts of the Kingdom.

une banque en action

البنك الشعبي  
banque populaire

For further information please contact: BANQUE CENTRALE POPULAIRE  
101, Bd. ZERKOUNY P. O. BOX 1002 CASABLANCA  
Phone: (212) 21 28 25, 332241, 89 644, 2266 Fax: (212) 21 26 78, 87 Telex: 21 723





King Hassan: peace-making role

Alan Hayer

Roger Matthews looks at the important role being played by King Hassan

## Foreign policy stance seems vindicated

MOROCCAN foreign policy for the past three decades has not just been consistent, but also consistently right, according to officials in Rabat. The recent breakthrough in relations between the Palestine Liberation Organisation and Israel is, for them, just the latest vindication of a Moroccan stance taken and maintained whatever the external or domestic pressures.

Support for the western coalition against Iraq culminating in the Gulf war is cited as the best example of King Hassan flying in the face of domestic opinion, while the takeover of the Western Sahara from Spain in 1975 is seen as a lesson in how to defy international pressure.

For King Hassan there has been no historical contradiction in sending Moroccan troops to fight against Israel while also protecting his own Jewish population and arguing for a negotiated settlement to the Arab-Israeli conflict. Meetings between Egyptians and Israelis in Morocco helped to prepare for President Anwar Sadat's critical visit to

Jerusalem in January 1977, and few obstacles have been put in the way of Israeli of Moroccan descent who wish to return to their former homeland for holidays.

But, at the same time, officials in Rabat stress that Morocco stands four-square behind the aspirations of the Palestinian people to achieve self-determination, is proud to be the chairman of the al-Qods (Jerusalem) committee of the Islamic Conference Organisation, and is a fully committed member of the League of Arab States.

The visit by Mr Yitzhak Rabin, Israel's prime minister, to Rabat in September on his way home from his historic handshake in Washington with Mr Yasser Arafat, the PLO chairman, was an acknowledgment of King Hassan's peace-making role. But it was no further than that, Israel's hopes for a visit by King Hassan to Jerusalem and the establishment of diplomatic relations were not realised, and are unlikely to be until there is a substantially greater progress in the peace process. "Peace is not just a piece of

paper. It is not just a matter of politics. Peace is about changing people's minds, about changing the way they look at issues. This is what we have been trying to do, and we shall keep on trying," says an official, who looks forward to early progress in Israel's talks with Syria in order to demonstrate that the peace process has become irreversible.

There is a feeling in official circles that Morocco's 15-year struggle to confirm its occupation of Western Sahara is grudgingly winning international acceptance.

Less publicly, but with even greater private satisfaction, there is a growing sense in official circles that Morocco's 15-year military and diplomatic struggle to confirm its occupation of the Western Sahara is, however grudgingly, winning international acceptance.

Algeria's mounting domestic problems, the weakening of the nationalist Polisario Front, the preoccupation of the UN with other more pressing issues, and the US concern at

the spread of Islamic radicalism, are combining to present a solution that will be acceptable to Morocco.

The key lies in who would be eligible to vote "in" a referendum on the territory's future: just the 74,000 people included in the 1974 Spanish census, as favoured by Polisario, or the additional 130,000 said by Morocco to be of Saharan parentage or origin.

Mr Boutros Boutros-Ghali, the UN secretary general, said during a visit to the region in June that he was pressing both sides to come to an agreement. Whatever the outcome of any compromise, or a decision to go ahead without Polisario agreement, the Moroccans will accept only a formula which they are confident would produce a satisfactory result.

The risk, of course, is that a frustrated Polisario, which is recognised by some 75 countries, could return to some form of armed struggle to continue pressing its case. Much would depend on the attitude of Algeria: there have been recent signs of a slight improvement in relations with Morocco.

There is little indication, however, that this will translate into a more effective Arab Maghreb Union, the organisation which brings together Morocco, Algeria, Libya, Tunisia and Mauritania. Formed in 1989, the AMU has agreed a number of conventions but none has been put into effect. Moroccan officials acknowledge that the organisation's chances of development remain modest.

There was disagreement between the five partners over the Gulf war and this was heightened when the other members decided to follow the UN ruling on sanctions against Libya for its alleged role in the destruction of an airliner over Lockerbie in Scotland. Morocco's main attention, however, is concentrated on its negotiations with the European Community. Earlier

dreams of an eventual bid for membership, and before that an agreement which would permit almost free trade in agricultural produce, have reluctantly given way to a more sober assessment of what might be possible.

Whatever the final outcome on improved economic co-operation, EC officials see the biggest immediate gain for Morocco as political. "The big gain for Morocco is not in whatever is finally negotiated. The details matter less than the heightened political visibility that Morocco will enjoy as a result of closer links with the EC, and the impact this could have on inward investment, not just from EC members but also from other industrialised countries, such as Japan", comments one official.

Negotiations are certain to be tough over sensitive issues for southern European countries, such as the access allowed to Moroccan tomatoes, but diplomats in Rabat sense that King Hassan's desire to attach Morocco firmly to Europe will eventually prove decisive.

Moroccan banking is based, like much else in the country, on the French system. Until the Moroccanisation Law of 1973, which restricted foreign ownership, French banks dominated the sector.

Today, the French legacy is one of structure so that the bulk of the sector's assets are in the hands of only a small number of banks. Though there are 14 commercial banks, only three - the state-owned Banque Centrale Populaire, Banque Marocaine du Commerce Extérieur, and the Banque Commerciale du Maroc, the largest bank in the private sector - hold 60 per cent of the banking system's assets. This makes it hard for newcomers or the smaller banks to compete and is reflected in the weak penetration of the market by the seven smallest banks which hold less than 10 per cent of banking aggregates.

The system is highly regulated by the Bank al-Maghrib, the central bank, which still fixes the maximum lending rate. As a result of these controls, the banks have stuck to a traditional role of lending money and taking deposits. About half the deposits held in the commercial banking sector are in non-interest-bearing accounts, so an easy way to make money has been to increase the branch network. Just under 30 per cent of deposits are held by Moroccans working abroad and Banque Populaire holds about 70 per cent of expatriate accounts. Although the domestic banks have competed fiercely for market share, they are sometimes unkindly known as the sleepy giants. They are now being steered into a more competitive environment with the introduction of banking

reforms and the passage of a banking law last year. The aim is to liberalise the banking system, which is regarded as a necessary if privatisation and competition are to take hold, which will inevitably result in a reduction of control exercised by the central bank.

Nearly two-thirds of the candidates for privatisation are from the banking and financial sector with the commercial banks representing 40 per cent. The single largest company due for privatisation is BCP, the country's largest bank.

The monetary authorities began liberalising in 1991 by lifting credit ceilings imposed

**The system is highly regulated and the banks operate under one of the toughest lending limits in the world**

by the central bank. Interest rates were also liberalised to the extent that banking was introduced and banks were free to set their interest rates within three bands.

However, the result was that the money supply increased by 20 per cent in 1991 with banks anxious to increase their credit market share, increasing the growth of their loans by 36 per cent compared to the previous year. By the end of 1992, the commercial banks accounted for 60 per cent of credit compared to 53 per cent in 1990.

The strong explosion of credit prompted the central bank to intervene and it did so principally by raising the banks' reserve requirement to 35 per cent on demand deposits and by increasing the overnight borrowing rate. The measures have had the desired effect and the rate of growth of

Scheherazade Daneshkhu on the likely impact of banking reforms

## Sleepy giants face market

The money supply fell back to 9 per cent in 1992 while credit rose by 11.5 per cent.

The central bank eased the reserve requirement a year ago to 10 per cent (although banks had to place the 15 per cent balance in treasury bonds instead) and in June, the Ministry of Finance lowered the maximum lending rate by 1.5 percentage points to 14 per cent, to help stimulate the economy.

The banking law, which has not yet been codified, is intended to improve the supervision of banks by creating new regulatory bodies and a guarantee protection fund for depositors. The banking reforms are aimed at strengthening domestic banks and bringing them up to international standards. New capital adequacy ratios were introduced at the beginning of the year: banks must maintain 8 per cent of their capital against risk-adjusted assets. Banks must also make provisions against a non-performing loan after four months by making a 100 per cent provision against the loan unless there is a guarantee. The measure is being introduced gradually.

The banks also operate under one of the toughest legal lending limits in the world. The limit is 7 per cent of net capital funds to a single borrower compared to the usual limit of 25 per cent in other countries. While the limit used to apply to each subsidiary of a company, it is now restricted to the company as a whole.

The reforms are not popular with most of the banks, which claim they were imposed too suddenly. "The provision against non-performing loans is terrible for us," said one banker at one of the largest banks "because we have to increase our capital." However, the banks are now obliged to do their homework before they lend money by selecting businesses which are well-managed and are looking for profitable loans or those giving the best guarantees. While the reforms may seem a constraint to the

bankers, some Moroccan companies have traditionally found it cheaper to finance themselves through debt, leading to an undesirable capital structure. The new reforms should make it cheaper for them to turn to equities for finance.

Despite the proliferation of measures, there is some anxiety that change is not taking place as quickly as it should.

In his open letter of July 14 to Mr Muhammad Karim Lami, the prime minister, King Hassan urged a reformulation of financing policy to make

access to international capital markets easier for local companies. He also called for the development of domestic capital markets through stock market reform and an increase in the range of financial instruments available. Companies need the infrastructure of suitable instruments, such as capital markets to gain access to foreign investment.

The International Finance Corporation, the World Bank affiliate devoted to private sector investment in the developing world, is planning to estab-

lish with the CPER group, the French investment bank, a Moroccan discount house with six Moroccan banks before the end of the year. It will give advice on the central problem of how to create greater liquidity on the debt securities market.

Morocco returned to the international capital markets in July through a \$30m Euroloan arranged by Citibank International for Omnium Nord Africain, the country's largest private company.

One international banker says that while there is a lot of interest in the stock exchange from international institutions, progress has been slow which are highlighted by the lack of a developed capital market. "There is not enough synchronisation," he said. "While

banks and corporations are allowed access to international capital markets and can borrow money overseas, there is, as yet, no mechanism by which foreign exchange exposure risk can be hedged." Morocco also lacks a money market and a secondary market for fixed income instruments.

The Casablanca Finance Group, established with backing from Paribas and others, says that there is a lot to do before it can establish itself as the country's first investment bank. It needs to convince investors to turn to the capital markets instead of banks, and also a developed brokerage system and buoyant stock exchange. It plans to launch the country's first open-ended mutual fund by the end of the year.

### RELATIONS WITH SPAIN

## Madrid investors pack flights to Rabat

SPANISH interest in Morocco may be measured by the fact that business class passengers often outnumber those travelling economy on Iberia's Rabat-Madrid-Rabat flight.

Mr Alvaro Renfijo, the commercial attaché at the Spanish embassy in Rabat, knows all about the extra space that the airline has had to set aside for Moroccan-bound business people. At least 1,000 Spanish executives have passed through his overstretched department so far this year and more than 400 have made appointments to see him.

Mr Renfijo says he faces an "avalanche" of potential Spanish investors in Morocco.

The Spanish press regularly reports travellers, in just as many numbers, moving in the opposite direction and under

Spain's business invasion of Morocco is comparable only to the one it is waging in Portugal.

What is most revealing is that new investment by Spain in Morocco has now outstripped that by France. Whereas French finance entering Morocco is mostly aimed at consolidating existing positions, Spanish capital is fresh and acquisitive.

By Mr Renfijo's reckoning, the evidence of Spain's investment drive is to be found in more than 500 Moroccan companies which now have Spanish partners. Madrid's stamp on Morocco has been emphasised by the trickle-down effect of a 1991 bilateral friendship agreement that has lured major Spanish companies into big Moroccan civil engineering projects on the back of soft credit lines worth \$70-80m a year.

Meanwhile, it is estimated that this year Spain's quota of Morocco's foreign trade will rise from 8 to 13 per cent while France's will fall from 23 to 21 per cent. Mr Alfonso de Pedro, the representative of the savings bank Caja de Madrid in Casablanca, echoes a widely shared opinion among the expatriate Spanish business community when he claims there is a specific local interest in "redressing the French weighting in the Moroccan economy".

In the main, Spanish business finds itself on familiar territory in Morocco. The present state of Morocco's development, as well as its regulatory environment, is not unlike that of Spain in the 1950s and 1960s. There are similarities in the bid to have foreign investment fuel a great leap forward.

Mr de Pedro is at present building up a consultancy and venture capital business on behalf of Caja de Madrid and in partnership with Banque Commerciale du Maroc. He has recently given the green light to five investment projects that deal mostly with hotel, hypermarket and office developments and he has a further 12 under study, encompassing potential businesses in agriculture and textile sectors.

Spanish investment falls broadly under two groups. The first seeks a low cost production base for goods aimed at the Spanish and the European markets, while the second is looking for openings in the domestic Moroccan market.

The two investment models are present in most sectors. Spanish agricultural groups are developing strawberry plantations south of Larache which will get the first crops of

the fruit across to Northern Europe before Christmas, two to three months ahead of the early strawberry harvests in southern Spain. Other groups, in contrast, have imported Spanish rice transformation technology to supply the Moroccan market with improved and competitive products.

In the textile sector the Madrid-based Cortefiel group has begun manufacturing in Morocco in order to supply its large retail network in Spain. Algodoneras San Antonio, the denim material producer, one of the prestige Spanish investments in Morocco, has how-

ever ignored the cheap labour possibilities and established a highly automated plant which services the local clothing industries.

The clearest indicator to date of the potential of Spanish investment in Morocco came in July when Banco Central Hispano invested \$43.2m to raise its equity in Banque Commerciale du Maroc from 5 to 20 per cent, and a further \$6.5m to acquire 3.5 per cent of ONA, the Moroccan financial holding group that also owns 20 per cent of Banque Commerciale du Maroc.

The Spanish bank's new relationship with ONA, and its

joint interest with the financial holding in Banque Commerciale du Maroc, will allow the strategic penetration of Morocco by the wide-ranging industrial interests that come under Central Hispano's umbrella. Some Central Hispano companies, such as the construction firm Dragados, are already well installed in Morocco but others, such as those in the energy, the agribusiness and the communications sectors will assuredly soon be looking their executives onto the Madrid-Rabat flight.

Tom Burns

البنك  
BMCI

International business requires technical skills and specialists. This level of commitment and experience enables the Banque Marocaine pour le Commerce et l'Industrie to provide a range of services that help its clients to cope with complex cross-border transactions.

Being part of the extensive network of group BNP established in more than 80 countries, BMCI is very attractive in doing business all over the world.

Besides the three subsidiary companies (leasing, domestic financing, participations) BMCI has also a national network of 100 branches with 1500 professional employees, offering daily, high quality services to our customers and contributing to the development of our country.

La Banque  
est notre métier

BANQUE DU GROUPE  
BNP

26, Place Mohammed V, Casablanca. Tel: 22.41.61/26.88.66 Fax: 26.57.57

Whether it's business  
with Morocco or in  
Morocco,

BMCE will assist you in finding  
customers, suppliers, or joint-venture  
partners, and by providing information  
on the market or on the cost of  
investment and production.

We will also arrange the most suitable  
financing, domestic or foreign, direct or  
by utilizing the various lines of credit we  
manage for several national and  
international specialized financial  
institutions.

BMCE البنك المغربي للتجارة الخارجية

Morocco's foreign trade bank

140, Avenue Hassan II, Casablanca  
☎ 20 03 25/20 04 67/20 05 56

Brussels: Place des Barrières 7 ☎ 219.00.45  
Madrid: Calle Diego de León 31 ☎ 56.34.180  
Paris: 37, Rue Cammartin ☎ 42.66.20.50

١٥٥٠ دينار



Francis Ghiles finds that the Moroccan government is determined to keep the territory

## Acts of faith in Western Sahara

ON THE edge of the small fishing port of Dakhla, 1,000 kilometres from Rabat, the Moroccan capital, a small block of flats stands empty. According to local officials, it awaits the return of the "lost brothers", those Saharans who, since Morocco took over the Western Sahara 18 years ago, chose to flee to camps in south-western Algeria and fight King Hassan's claim to the former Spanish colony.

The dispute is still far from being settled despite 10 years of intermittent fighting and a UN peace plan launched just over two years ago. Progress on the plan has been stalled by disagreement between the Moroccan and the Polisario Front, which has been fighting for an independent Western Sahara and over who would be entitled to vote on the future of the territory.

On the ground, however, everything has been done to ensure that the Moroccan stay. True figures of investment are not available but a visit to the capital of the territory, Laayoune, and to Dakhla, to the south, underlines the extent of Morocco's determination.

Laayoune, which in 1975 boasted a governor's residence, a traditional Spanish parador style hotel, a brothel and thousands of shacks for the natives - indeed it was more reminiscent of the wild west than anything else - has been turned into a bustling town of over 150,000 people, thronged at lunchtime and in the late afternoon with children going to and from school.

A new airport has been built, while a

new and slightly vulgar hotel has been added to the parador, where the availability of peanut butter at breakfast is a sure way of detecting the Canadian and American members of the Minurso (United Nations Mission for Peace in Western Sahara), whose headquarters lie just below the parador.

UN marked aircraft at Laayoune and Dakhla airports also remind the visitor of the dispute, as does the fact that his passport is checked on arrival and departure for domestic flights.

Unofficial estimates of investment in roads, hospitals, schools, water ducts and other civilian projects are put at between \$200m and \$300m. Even these figures, however, are underestimates as soldiers are often used, at no cost to the state.

To those Saharans town dwellers who chose to remain and pay allegiance to the Moroccan crown were added the nomads who, in the late 1970s, were driven to the towns by the severe drought endured by the Sahel region of Africa. Despite Moroccan government efforts to help such people reconstitute their camel herds, the nomadic way of life is, here as elsewhere, a victim of modern political and social evolution.

The effort to spread literacy and ensure a minimum of health is impressive. A second hospital is about to open in Laayoune, and the province itself boasts a further four. Each has 250 beds. Four smaller health centres exist in Laayoune alone.

Medicine and all consultations and operations are free in the Western Sahara. Laayoune's hospitals appear well run.

Dakhla feels like the back of beyond but boasts one asset that, were the status of the Western Sahara to be settled, could be of great importance: some of the world's richest fishing grounds

staffed by well-trained Saharans doctors and Moroccan from the north.

The 900 children who went to school in Spanish days have become 32,000 today. Laayoune boasts 27 primary schools, five lycées and a teachers' training college. The authorities say that 90 per cent of those in age to attend school in Laayoune do. Spanish has been forsaken as a foreign language to be replaced by French and, increasingly, English. No foreign teachers, however, have yet been allowed to practise in the territory.

Dakhla, which is now twinned with Rambouillet near Paris, has been virtually

built from scratch. The pasha of Dakhla, the genial Si Mohamed Fadhel Semlali, points to a few remaining Spanish buildings, including an ugly 1950s style Catholic church still inhabited by an old Spaniard who has apparently decided he is going to die in the place, around which he said that about 90 Saharans families lived back in 1975. Dakhla was taken over by

prize here is squid, a great favourite with Asian consumers. In Dakhla itself a few small plants, such as Fishgod, set up by a Mr Salem Amghayer in 1989 operate, but the absence of a fully equipped port means that most of the fish or squid caught offshore is treated in Agadir or Tan Tan, much further north on the Moroccan coast, in the Canary Islands which lie offshore or on the ships themselves.

How much people who have traditionally been nomadic and turned their back on the sea can be turned into fishermen and businessmen remains to be proved.

Fishing could also provide a basis for tourist activity, though to date there is little of that other than passengers transiting through Laayoune to and from the Canary Islands and northern Morocco.

The Dakhla lagoon, its beaches and the opportunities for serious fishing might well attract an international hotel group. However, such an outcome appears unlikely so long as the dispute continues. The authorities in Dakhla have built a four-star hotel but for some reason have done so in the middle of the town, away from the beach and in such a tight location that the compound boasts no

Mauritania then and handed over to Morocco in August 1978.

The town now has 30,000 inhabitants and sits near the tip of a 40-kilometre-long tongue of sand between the rolling Atlantic waves and a deep lagoon. It feels like the back of beyond but boasts one asset which, were the status of the Western Sahara to be finally settled, could be of great importance: some of the richest fishing grounds in the world.

Indeed, the oddest sight in Dakhla is that of two Japanese visitors. Japanese, Korean, Russian and Spanish vessels fish offshore, some legally, others not. The

garden, no large swimming pool and no seashore to step out to. No wonder they are finding it difficult to find a company willing to manage such an establishment which otherwise is soberly decorated and built to high standards.

Dakhla has also to do a lot to ensure running water in most homes. The town is lucky as it sits on a large underground aquifer of sweet water. On the other side of the lagoon the king has set up a farm where fruit, including winter melons, and vegetables are grown using state-of-the-art irrigation technology. Much of the produce is exported to France.

The rich phosphate deposits at Bu Craa, 70 miles inland from Laayoune, are still exploited and the rock treated at a plant outside Laayoune before being exported but the depressed state of the market currently makes such wealth of little importance in providing new jobs.

The considerable resources that Morocco has poured into developing the Western Saharan provinces - whose population includes Saharans and many northern Moroccans who can earn tax-free salaries while working there - constitutes an act of faith. Traditional ties of allegiance between the Moroccan sultans and tribal chieftains have been buttressed by Rabat's continuous efforts to reinforce its physical presence and win the hearts and pockets of the Saharans. Whatever their innermost feelings might be, they have been offered more in terms of health, education and general well-being than many of their northern brethren.

### The importance of the informal sector

## Hub of undeclared activity

ALTHOUGH it has been suggested that production of goods and services in Morocco's traditionally flourishing informal sector may amount to 70 per cent of official gross domestic product, academics and businessmen believe that 30 per cent is a more realistic figure. No one, however, is in any doubt that this sector plays a key role, providing hundreds of thousands of jobs. The fact that it thrives helps to explain why, despite two years of drought and declining oil, the kingdom has so far not witnessed any serious social disturbances.

Morocco's national accounts revalue the statistics they receive by a coefficient to take account of the informal sector: the value of manufacturing is thus raised by 14 per cent and that of the building sector by 15-20 per cent. This figure is reached by matching the number of permits to build

with the consumption of cement.

In some sectors, the percentage of activity accounted for by the informal sector is more precisely measured - it accounts for 36 per cent of all clothes manufacturing, 30 per cent of all food processing and tobacco, 16 per cent of manufacturing of upholstery, 28 per cent of transport of goods, 26 per cent of hotel business and 19 per cent of all activities grouped under the broad name of "repairs". These estimates date from 1988 but the Direction de la Statistique in Rabat feels they hold true today.

Under the name "informal sector" may be found a multitude of sites. First and foremost is the US\$2bn estimate of hashish exported every year to western Europe from the north-west Rif mountains around Tangiers and Tetuan. Not all that money is rein-

vested in the local economy, but the price of real estate and the impossibility of finding builders in Tangiers, Nador and the Spanish enclave of Ceuta are enough to convince any observer that a lot of money is waiking around.

Money from this source must be added to that made from illegal imports through Ceuta and the other Spanish Mediterranean enclaves of Melilla, which it partly finances. Alcohol around these ports fetches one-third of the price it does in Casablanca. Moroccan buyers have access to all the latest hi-fi, computers and white goods they can afford on the free market in Casablanca - these goods are much cheaper in the north. In recent years a thriving market in cars stolen in Europe has developed, often brought in by Moroccan emigrés in France or Belgium who have been made redundant. The Fnideq market near Ceuta handles an estimated

40,000 such vehicles a year.

Another source of informal money is the selling of fish caught by Moroccan vessels to foreign fishermen on the high seas, in exchange for foreign currency. Precise figures are impossible to obtain, but observers believe that a few hundred million dollars would not overstate the volume of that particular trade.

Customs officials are unable to prevent the smuggling nor do their modest salaries - Dh1,600 a month with only a further Dh36 per extra hour of work - suggest they have the incentive to try. The figure of tonnage unloaded in several Moroccan ports is thus believed to underestimate the true weight and value of cargo. An estimated 450,000 informal jobs exist in manufacturing, worth at least Dh30bn. Moroccan industrialists readily admit that a third of what they manufacture is not declared, pointing to the fact that tax



The Tineel mosque in the High Atlas mountains, the cradle of the Almohada dynasty

inspectors are so harsh in their treatment that they encourage people to cheat. As in Tunisia, tax inspectors seem to consider private entrepreneurs a bunch of thieves. Another reason why industrialists and those in the service sector conceal their activities is the stringent nature of the labour laws, which make it difficult and expensive to fire employees.

The reaction of local manufacturers to illegal imports varies. General Tire, for instance, is not best pleased to see Goodyear tyres smuggled in from the Canary Islands. Others are less worried because their own brand products manufactured in Spain are brought in.

One important factor in all this is that Moroccans often prefer imported products to locally manufactured ones, even if they have to pay more because they reckon they are getting better value for money. They are not always wrong. As for paying added value tax, wholesalers may have to, but the many small shops do not. In a country where two-thirds of the population is unable to read or write, imposing VAT across the board would not be practicable.

It is important to bear in mind that local family networks dominate much of Morocco's activity, even in large towns such as Casablanca. Many laws enacted by

the French or the new state were quite inapplicable from the start. Today few Moroccan industrialists who are in dispute will go to court because the legal system is erratic, slow and often corrupt. Rather, they will resort to one of their peers who is respected both for his sense of fair play and knowledge of the matter which is in dispute.

The consequences of the past two years of drought are interesting in this respect. As farmers were forced to sell their cattle to make ends meet, the price of red meat was pushed down. But official slaughterhouses did not change their prices, thus forcing farmers into illegal slaughtering and

selling. Butchers thus bought directly, bypassing the slaughterhouses. Such transactions are often agreed to by the powerful Mouktassib, the corporation which traditionally checks the honesty of transactions, the quality of goods, notably food, and their conformity with religious edicts.

Appointed directly by provincial governors, the Mouktassib, whose powers were reinforced by royal decree 10 years ago, appear to many Moroccans to be more attuned to the real needs of Moroccan society than many of the bureaucrats.

The informal sector is in many respects a safety valve for Moroccan society. It supplies flexible jobs at a fraction of the cost of the formal sector. Yet, one of the tests of the progress Morocco makes as it modernises its economy will be the authorities' capacity to ensure a more open and accountable system. That does not simply mean bringing the private sector to heel; it also means that the authorities will behave in a fairer and more open manner with all Moroccan citizens and companies.

Francis Ghiles

## WAFABANK GROUP, THE GLOBAL OFFER.

Banking, savings, transactions, payment.

Hire purchase financing of equipment.

Consumer credit (cars, household equipment).

Established in Brussels for foreign trade financing, promotion of investment and servicing the Moroccan community living abroad.

Financial services, shareholding transactions and promotion of investment.

Computer consultancy, organisation and engineering.

Trading activities and foreign market research for Moroccan firms.

Real estate and housing consultancy and financing.

Insurance, provident and retirement schemes.

Management and supply of electronic and payment card systems.

Promotion of cultural, sports and charitable activities in Morocco.

GROUPE WAFABANK

WAFABANK GROUP WITH YOU ALL ALONG YOUR PROJECTS

FOR FURTHER INFORMATION, CONTACT OUR HEAD OFFICE

**WAFABANK**  
DIRECTION DU COMMERCE EXTERIEUR  
163, Avenue Hassan II - CASABLANCA - MOROCCO

Phone: (212)(2) 26-51-51/22-41-05 Fax: (212)(2) 26-62-02

## SOCIETE CENTRALE DE REASSURANCE

NATIONAL AND INTERNATIONAL REINSURER

- SHARE CAPITAL: 30 MILLION DHS (FULLY PAID)
- Development of the portfolio:  
1980: 7 Million dhs  
1992: 1,100 Million dhs
- Regulator of the market: 60% of the market reinsurance needs are covered by S.C.R.
- Inward business from more than 50 countries and relationships with more than 200 partners.
- S.C.R.'s commitment both nationally and internationally are warranted.
- Each year, S.C.R. is audited by chartered accountants of international repute.
- S.C.R. dispose freely of their foreign currencies income located in accounts abroad for their foreign inward business, which enables settlement of balances to their partners with the necessary celerity

HEAD OFFICE: TOUR ATLAS - PLACE ZALLAQA - CASABLANCA  
PHONE: 30 91 11 / 30 49 35 / 30 85 85  
TELEX: 280.83 / 280.77  
TELEFAX: 30 86 72 / 30 00 30  
P.O. BOX: 13183 - CASABLANCA

tion

their camp. s also divided. of the largest y. the largest y. are unhappy constituencies. ey share the sis' preference seat system, former Social-ir seats in the t because they do less badly ml representa-

Mr Hosokawa ter down the t through par-ir Takashi Ino- of politics at y. The vested ill have to be ortant because indication of store for the

ls are passed, ave to meet in edraw Japan's ries. They will ow to split the constituencies le seaters and disproportion- the rural vote s for roughly urban vote - lo

will take at s of behind-the- ay. If, as seems kawa is still in s is expected to under the new st July, as soon undaries have

n's chance of tion after polit- s on its ability ences and came ticket.

ing S

top negotiating d ask the UN xpose economic 16. t variable right act on when broken. South believe this y up to the Korean foreign

warned that it riate counter-reatened with ; a military

to meet Seoul tion to the UN overwhelming escalation on rth Korea to lately with

ade ged

art yesterday by deceiving corpo- reports from

executive of the tents and chest- \$22m (\$260,000) 2 charges stem- ut art pieces. and the Empress ed the board of es fair, billed as m Mr Yeo, who \$600,000.

undi

not stand in the who survived a lujumbura. only an element ent," said Lieut-okesman. with Ms Sylvie al since soldiers of his ministers. taken refuge at p on October 21. as out only if an otact them. t powerful Tutsi reving.

duced

t in remote East in development sterday. Racter

s from about 20 nt of the Wira in the troubled reduce the num- ved. the capital, Dili, re on a crowd e sympathiser.

ison

after convicting Renter reports

the number of ave been killed s between mili-



After a tough year, the government's passive attitude is under attack

## Recession in Europe hits industry

AT THE implausibly named Bogart factory in the industrial zone just outside the centre of Casablanca, the Made in Morocco label is diligently stitched into children's Levi denim clothes destined for France. Mr Mohamed Tamer, the factory's owner, says that he has been fortunate in the current recessionary climate to have experienced stagnant rather than falling sales.

Morocco's industrialists have had a tough year. The country's gross domestic product fell in 1992 in real terms compared to the previous year, while total exports experienced a 9 per cent drop to Dh33.6bn (\$4bn). The government expects exports to fall further in 1993 although gross domestic product should grow by 3 per cent. The second year of drought has taken its toll on production and on domestic purchasing power while exports have suffered because Europe, which is Morocco's main market, has been in recession.

Members of the Office of the Federation of Industry set out their grievances to the government, in the shape of Mr Abdelazak Mossadeq, secretary-general of the Ministry of Commerce, at a seminar in May.

The main complaints were the progressive removal of tariffs against imports, the high cost of energy (including periodic power cuts which are particularly disruptive to textile manufacturers) and high interest rates. Externally, the

industry representatives were unhappy about the trend towards increasing protectionism in overseas markets, depressed worldwide demand and competition from smuggled goods.

While acknowledging the grievances of the industrialists, Mr Mossadeq inclines towards the opinion that there is not much that the government can do. He says that real rates of interest are about 10 per cent and the government itself is borrowing money from the World Bank at 10 per cent.

Though he admits that the cost of energy is high, that is a problem which everyone faces in Morocco, which does not have the fortune to be a part of the oil-rich Arab world.

With privatisation a buzzword, the state in Morocco is distancing itself from the industrial sector. Mr Mossadeq says that the government no longer has an industrial strategy because that implies dirigisme. Things have changed since the 1960s when it was forced to intervene because of the lack of a private sector.

"I was at an African ministers of industry meeting recently and everyone was talking about privatisation. But you

need a private sector before you can privatise which is why the state first invested in industry and is now retreating," says Mr Mossadeq.

Although the government would like to see greater vertical integration, particularly in the textile and garments sector which is heavily dependent on the import of raw materials, Mr Mossadeq says that

**Manufacturers are worried by increasing protectionism in Europe. Half of the goods manufactured in the textile industry are exported and 80 per cent of these exports go to France**

the government can only try to create the conditions in which industry might prosper by measures which include providing technical centres to improve the skill of the labour force.

The manufacturing sector is the second largest contributor to the country's gross domestic product, accounting for over 18 per cent in 1992 and overshadowed only by commerce with a contribution of 21.4 per cent to GDP.

The main industries are agro-industry (food-processing), textiles, chemicals,

metallurgy/mechanics and electrical/electronics. Of these, the agro-industry and chemical industries contribute the most to industrial production, with a share of roughly 32 per cent each in 1991 but textiles and leather are the largest industrial export, accounting for 38 per cent of industrial exports in 1991.

With 180,000 employees, the textile and

cent of goods manufactured in the textile industry is exported and 80 per cent of these exports are to France.

Mr Mohamed Lahlou, vice president of Manstex, one of the country's longest-established textile companies, and president of the Moroccan Association of Textile Industries, says that the industry has suffered as a result of the devaluation of some European currencies, notably the Spanish peseta, the Italian lira and sterling. The leather industry saw a 10 per cent fall in exports in 1992, with shoe sales performing particularly weakly with a drop of over 20 per cent.

Investment in the whole sector fell in 1992 for the second consecutive year, partly as a result of high interest rates, and Mr Lahlou has criticised the government for its passive attitude towards the problems facing the sector.

By contrast, the sector which enjoys the largest investment is the chemical and pharmaceutical industry which accounted for 33 per cent of all industrial investment in 1991. The sector includes the phosphate industry, controlled by the influential state monopoly, the Office Chérifien des Phosphates (OCP).

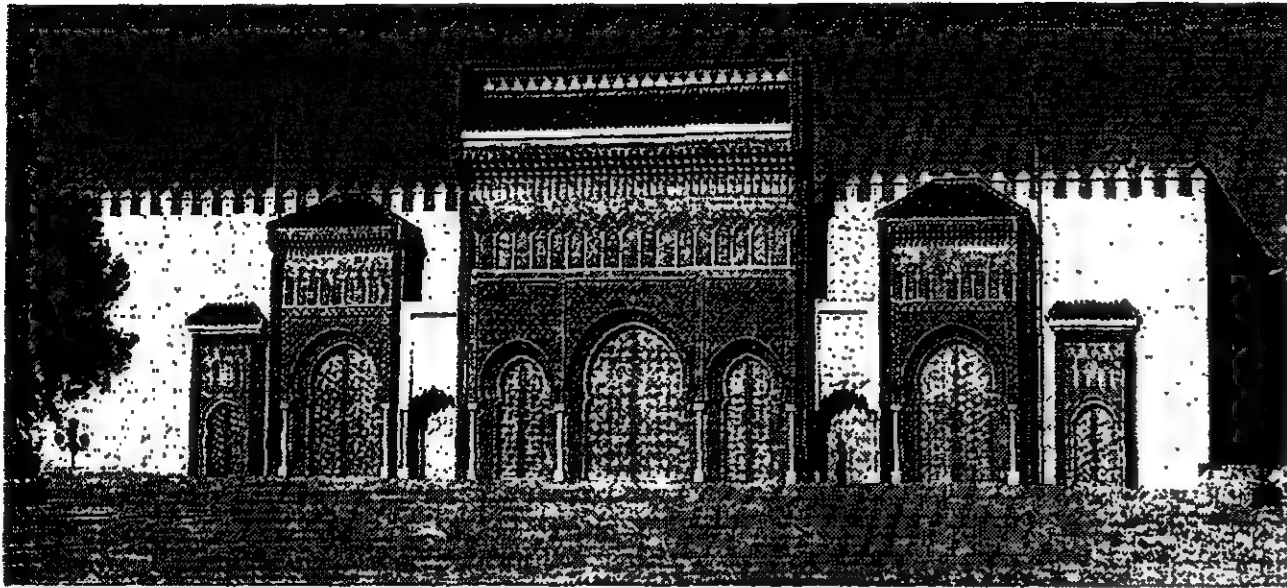
Phosphate exports dropped to Dh4.6bn last year from Dh5.1bn in 1991 and are expected to fall further to Dh3.7bn this year. The industry has not been aided by a drop in international prices from \$42.5 a ton at the beginning of 1992 to \$38 in May this year.

Despite a fall in the phosphate sector's share of total exports from 43 per cent in 1983 to an estimated 24 per cent in 1993, Morocco remains the largest exporter of phosphates in the world and the proprietor of the world's largest phosphate reserves.

The most optimistic industry is the metallurgy, mechanical, electrical and electronic sector which has seen production increase from Dh13.2bn in 1988 to Dh20.3bn in 1991, on the back of strong investment which has almost doubled over the same period while exports have risen almost threefold. The industry is hoping for further growth this year.

Although some industrialists are calling for a devaluation of the dirham to help exports and the reimposition of higher tariffs to protect domestic industries from outside competition, the government appears unlikely to adopt either measure. Industry will have to weather the recession both at home and abroad and hope that the trend towards lower domestic interest rates will continue in order to aid both production and investment in the coming years.

Scheherazade Daneshkhu



The king's palace (Dar el-Makhzen) in Fes, which was the country's religious capital

## A guide for the businessman

Francis Ghiles on what to look out for on your visit, and what to avoid, how to get there, where to stay and what to eat

The country and the climate MOROCCO lies on the north-west corner of Africa, three hours' flight from London. It is the oldest kingdom in the Muslim world, the present Alaoui dynasty having been in power for more than three centuries.

The climate varies considerably, from the northern coast, which is Mediterranean, to the old imperial city of Marrakesh at the foot of the High Atlas mountains, which is a favourite winter resort for Europeans and boasts dry, temperate winters and very hot summers.

Along the Atlantic coast, the temperature is usually mild and often very damp, especially at night and during the winter. Morocco has a great variety of mountainous ranges, the highest peak, Jebel Toubkal, rising to over 4,000 metres.

The region beyond Agadir is true desert climate, more pleasant to visit in winter and spring than summer. The resort of Agadir is open all year round and boasts 300 days of sunshine a year. Most of Morocco's 27m people are of Berber stock and speak Arabic. French is commonly spoken, though not in country areas.

Getting there Most major western air companies fly to Morocco. Royal Air Maroc and GB Airways between them provide daily flights from the UK. Visas are not required for European Community citizens. The Dirham currency cannot be bought outside Morocco.

Business hours Moroccan companies and administrations work a five-day week, from Monday to Friday, with a slightly longer

lunch hour on Friday to allow those who wish to pray. During the Ramadan fast, which lasts one month, it is best to avoid travelling to Morocco. In winter, hours of business are 8am to noon and 2pm to 6pm; in summer (end of June to end of September) the hours are 8am to 4pm.

Car hire Cars are easy to rent at major airports and hotels, but do not expect them to be in perfect condition. By European standards, car hire is expensive. Roads between major towns are good, though often narrow. A fast and regular rail service and a motorway now connect the political capital, Rabat, to the economic hub of Casablanca, 100 kilometres away.

Hotels Hotels are easy to find and in general not expensive, espe-

cially if you get a discount from the official price. However, many four or five star hotels do not deserve their rating.

In Rabat the choice is between an overpriced Hyatt Regency and the Tour Hassan, whose five-star de luxe rating is a standard joke. In Casablanca, the Royal Mansour remains true to its grand style and excellent service, while the Sheraton and the Holiday Inn offer good value. The Idu Anfa and Kandara hotels provide good average comfort and service. On the corniche, just outside the city, the Riad Salam is an attractive hotel.

In Marrakesh, the world-famous Mamounia underwent a refurbishment 10 years ago, which was not a success, though its reception rooms, restaurant and garden remain

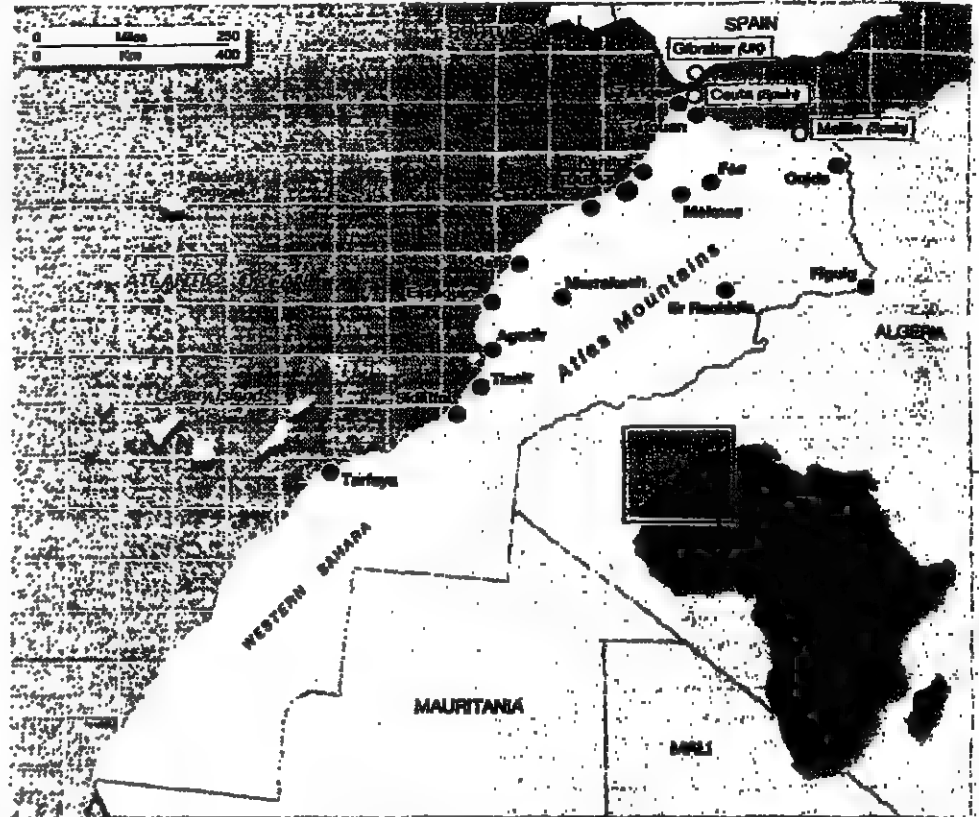
very attractive. The four-star Hotel Nassim provides excellent service at competitive prices.

Taroudant, in the southern foothills of the Atlas, boasts the Gazelle d'Or, a perfect resting place for the seriously rich, set in gardens outside the small walled town. In Fes the Palais Jamai provides spectacular views of the old religious capital of Morocco, though the service it offers is unworthy of its five-star de luxe status. The Minab in Tangiers remains, arguably, the most attractive hotel in Morocco.

Eating out Moroccan cooking ranks, alongside Turkish food, as the most refined in the Mediterranean. Good French and Italian food is also available in the large cities. You can safely shop by the roadside and eat "keftas", skewers of meat sprinkled with saffron.

Casablanca boasts one outstanding French establishment, Ma Bretagne, on the corniche just outside the city. Other good French restaurants include Neroli (which has just been taken over by Pierre, as one of Casablanca's oldest French master cooks is known), Le Prestige, Le Volubilis in the Royal Mansour Hotel and La Gondole in the Centre 2000, near the railway station. This establishment is run by Pierre Vialat, who left the Le Cabestan, where he was chef, to open his own restaurant. The food at Le Cabestan has not recovered. For Italian food, try Le Valentino in the Hyatt Regency Hotel or Le Felini and for Moroccan food, Al Mounia. Le Peikin offers good Chinese food and Le Beyrouth excellent Lebanese fare.

In Rabat, L'Entrecoûte et le Vert Gland offer good French food. In Marrakesh, L'Orange-Rose offers fine French food. Villa Rosa good French and Italian fare; for traditional Moroccan food, the Yaout and Tobel are best. Arts and crafts The variety of crafts in



Morocco remains great. Carpets are plentiful and varied but the wool they are made from is not always of good quality. Good pottery from Fes, which is famed for its intricate blue patterns, can be ordered from Hidayat Taxi in Casablanca (tel 445639); excellent pottery can also be found in the Poteries de Sale which are to be found in Rabat, at the foot of the old walled medina. The town of Safi also has very attractive wares.

State-run craft centres exist in most big towns but haggling in the souk, while time-consuming, can be rewarding. The Habous district of Casablanca has a wealth of traditional jewellery and crafts. Casablanca also provides scope for getting good leather artefacts, which are cheaper if bought directly at the factory gate.

Morocco has many modern painters whose works are keenly sought in Morocco and abroad. Galleries such as Bab El Roush in Rabat and Mellem in Casablanca are worth a visit. Unfortunately, no museum regularly displays such works, which can best be seen in the private galleries of the Banque Commerciale du Maroc or the Office Chérifien des Phosphates.

Economics For economic information about Morocco, the best source is the weekly L'Economiste, whose reports and analysis are very reliable. The Centre Marocain de Conjoncture produces regular studies on the state of the economy but they are rather too academic for the average businessman. New financial services such as

Upline (tel 985855) or the Casablanca Finance Group (tel 441244), both in Casablanca, are reliable and good.

Books to read John Wartenbury's *Commander of the Faithful*, unfortunately out of print, remains as good a guide as any to the monarchical system of Morocco. Wynnham Lewis's *Travel in Barbary* is a wonderfully evocative description of the Berber society of southern Morocco.

Remy Leveau's *Le Fellah Marocain, Défenseur du Trône* provides a good political introduction to the kingdom while Bruno Etienne's *Les Arcanes du Sultana* recently published by the French cultural review *Assemblage* (September 1990), is a pointed analysis of how King Hassan exercises his considerable powers.

### FLY Club CLASS TO MOROCCO

CASABLANCA → MARRAKECH → TANGIER

- Luxurious Long-Haul style seating in a 2x2 configuration for maximum comfort and plenty of leg-room
- The Finest quality cuisine with a range of complimentary fine wines, spirits, liquors and Champagne. Hot towels and newspapers are also included.
- Scheduled services from Heathrow and Gatwick with excellent connections to and from major U.K. centres.
- Priority check-in at all points and use of Executive lounges at most airports



Ask your Travel Agent for details or call  
British Airways Reservations on 081-997-4000  
or Liffline 0345 222 111

GB airways

### UPLINE

AT THE HEART OF THE MARKET

We help you take advantage of Morocco's fertile economic climate  
Our services include:

- Weekly fax reports on the economic and political events in Morocco
- Financial intermediation
- Stock market scans & company analysis
- Financial surveys and studies
- Business Consultancy

UPLINE INTERNATIONAL S.A.

159 Bd Yacoub El Mansour

Casablanca, Morocco

Tel: 212 2 98 58 55 Fax: 212 2 98 58 54

### FT SURVEYS INFORMATION

1993-94 FORTHCOMING SURVEYS LIST and SURVEY SYNOPSIS Tel 071 873 3763 Fax 071 873 3062

#### BACK NUMBERS

£1.20 up to one month previous. Personal callers £1

£1.60 one month to one year previous Tel 071 873 3324

SURVEYS INDEX (past two years) £2 Tel 071 873 3213

REPRINTS Quotes available for minimum 100 order Tel 071 873 3213

ADVERTISING Tel 071 873 3763

#### FUTURE SURVEYS (provisional dates)

Yemen December 20 1993

Egypt January 7 1994

EDITORIAL Information should be sent in writing to the Commissioning Editor for the survey concerned at Number One Southwark Bridge, London SE1 9HL, or fax 071 873 3076/407 5700

Cheques and postal orders for the FT Surveys Index and Back Numbers should be made payable to Financial Times Ltd.

Banque Nationale  
pour le  
Développement Economique



Share Capital 600,000,000 DH

Your best partner to  
achieve your industrial project  
and/or to participate in privatisation

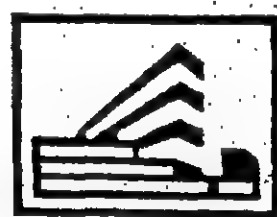
12, Place des Alaouites - P.O. Box 407 Rabat 10.000 MOROCCO

Phone: 212-7-70 60 40

212-7-70 88 44

Fax: 212-7-70 37 06

Telex: BDMAROC 319 42 M & 327 58 M



القرى والفنادق والسيارات  
CREDIT IMMOBILIER ET HOTELIER

The CIH (Real Estate and Hotel Finance Bank) has a tradition of more than half a century in financing the housing and tourism fields, thus playing a key role in these two industries. As such, from 1980 to 1992, the CIH's resources were directed to the funding of

69,231 housing units and 44,650 hotel beds

This performance consolidates the CIH in its position as the leader in housing and hotel financing. The CIH is involved in financing building, apartments, houses, residential and tourist complexes, hotels, restaurants, manifold operations for professional or private individuals to acquire, build or renovate.

Our commitment to keeping our leading position, our extensive project knowledge, our expertise in the financial technicalities in our field have made our achievements possible. Moreover our dedication and capability to provide you with individual solutions regarding your investment, help us to advise you on the best opportunities offered

by the Moroccan Investment Code

The CIH will always provide the best guidance and advice to maximise value:

MOROCCO

For further information, contact us at:

DEPARTEMENT ETRANGER

187, AVENUE HASSAN 11, CASABLANCA, MOROCCO

TEL: (212-2) 202480/203033 TLX: 23.869M FAX: 223748





## FINANCIAL TIMES SURVEY

# DUBAI

Wednesday November 3 1993



**T**O all appearances, Dubai is continuing to reinforce its position as the mercantile capital of the Gulf. Second richest of the seven states which form the United Arab Emirates, over the years Dubai has earned for itself the sobriquet Dubai Inc. by virtue of its business acumen and the shrewd instinct, not only of its former celebrated ruler, Sheikh Rashid, but also of the merchant community as a whole.

It has also benefited - and continues to benefit - from a healthy surplus of capital from oil revenues, which has enabled the government, the ruling Al Maktoum family, to build the best infrastructure that money can buy.

Under Sheikh Rashid, Dubai has also equipped itself with industrial facilities on a par with the best in the world, a tradition continued by his sons with the creation of a Free Zone Authority and industrial area at Jebel Ali and the establishment of a commercial basis of Dubai's own airline.

The combination of capital wealth, personal commitment, and sheer hard work have helped to provide Dubai with a freedom within the federation in its formative years, and have subsequently enabled it to keep going through two regional wars and the collapse of oil prices in the mid-eighties.

These conditions, not least the availability of continuing reserves of capital, are changing, however. To compensate, the government is trying to enlarge and improve on developments that have already taken place. The government's Economic Department, set up in July 1992, but only really in operation since June this year, has the job of overseeing the management of some of the government's outside industries, of representing Dubai at federal meetings where legislation is drafted, and of most immediate importance, to the business community and potential investors, of streamlining the trade licence registration process, a source of considerable ambiguity and frustration in recent years.

Dubai's oil and business acumen have made it the second wealthiest state in the United Arab Emirates. However, as the economic climate becomes more complex, it is seeking new strategies to maintain its prosperity, as described in this survey written by Robin Allen

## Mercantile capital of the Gulf

In addition, the government has been spending a lot of money to improve the road network and other infrastructure, and its commerce and tourism promotion board is waging an effective campaign to attract more investors and tourists, the overall aim being to create an economy based on self-sustaining tourist and regional services industries, for an era when the cushion of wealth from oil revenues is no longer there.

On the investment front, it is intended that the Economic Department should develop into a one-stop shop where it will be possible to establish a limited liability company. Many businessmen still complain, however, about the amount of time-consuming paperwork, and the cost - Arabic translations at Dh100 (£27) a page - when it comes to the enactment of a coherent legal code.

Taken together, these measures should ensure that Dubai retains its prominence, if not its pre-eminence, as the mercantile capital of the Gulf. But there are several conditions to be fulfilled and a number of potential weaknesses which may make it more difficult to keep the strategy on course.

These include:

- continued regional political stability;
- the Economic Department's ability to live up to the demands made on it;
- the progressive implementation of a coherent and effective business legal framework;
- the peaceful development of the federation and of Dubai's role within it;
- a guarantee of continuing abundant sources of energy at affordable prices.

The successful resolution of the 1990-91 Gulf crisis removed doubts in investors' minds over whether the west would intervene. In a crisis, and instilled a degree of confidence about the Gulf which had been previously lacking.

Iran's occupation of, and claims on, three UAE islands near the strait of Hormuz, has not so far led to anything more than curt exchanges of diplomatic notes, and resolutions from foreign ministers of the six-member Gulf Co-operation Council. Iran's apparent decision to invest in expensive weaponry at a time when it is thought least able to afford it, and for motives which are not clear, has certainly caused concern - but so far nothing more. These problems are so sensi-

tive that in Dubai senior officials refuse to discuss them. This is partly in deference to Abu Dhabi and the federation. Foreign affairs comes within the jurisdiction of the presidency, that is to say, Sheikh Zayed in Abu Dhabi, where it is reported there is a real fear of Iran trying to extend its physical control over other Arab Gulf islands.

Dubai is thought to share this apprehension, but not to the same degree. The trading links between Dubai and Iran are historically very strong, and the relationship deeper and more subtle than that between Abu Dhabi and Iran.

Other matters of foreign policy, including the US policy of "dual containment" of Iraq and Iran, are not ones which Sheikh Mohammad Bin Rashid, the defence minister, is prepared to discuss. But it is known that as a result of the Gulf war, he is a leading proponent of a much greater depth of co-operation between member countries of the GCC, and continuing links with the US and the west. The UAE and particularly its president Sheikh Zayed, was one of the staunchest supporters of the US-led coalition.

The outline peace agreement between Israel and the Palestine Liberation Organisation falls into the same category. Critics of the modern form of tribal leadership, of which there are a few in Dubai, contend that the system of government by word-of-mouth and by telephone, is inadequate for the administration of a modern state. There is no legislative assembly or consultative council within Dubai - where the majlis, or open session held by the sheikhs, acts as an alternative forum for discussion, and for petitions to be presented. To be present at one such majlis is to see tribal democracy in action at its most basic level.

On the other hand even critics acknowledge that in a state as small as Dubai, there is enough delegation of authority to individuals and institutions for the state to function sufficiently well. By contrast with some of its neighbours, Dubai's public administration is smooth and efficient, and bet-

ter than some European countries.

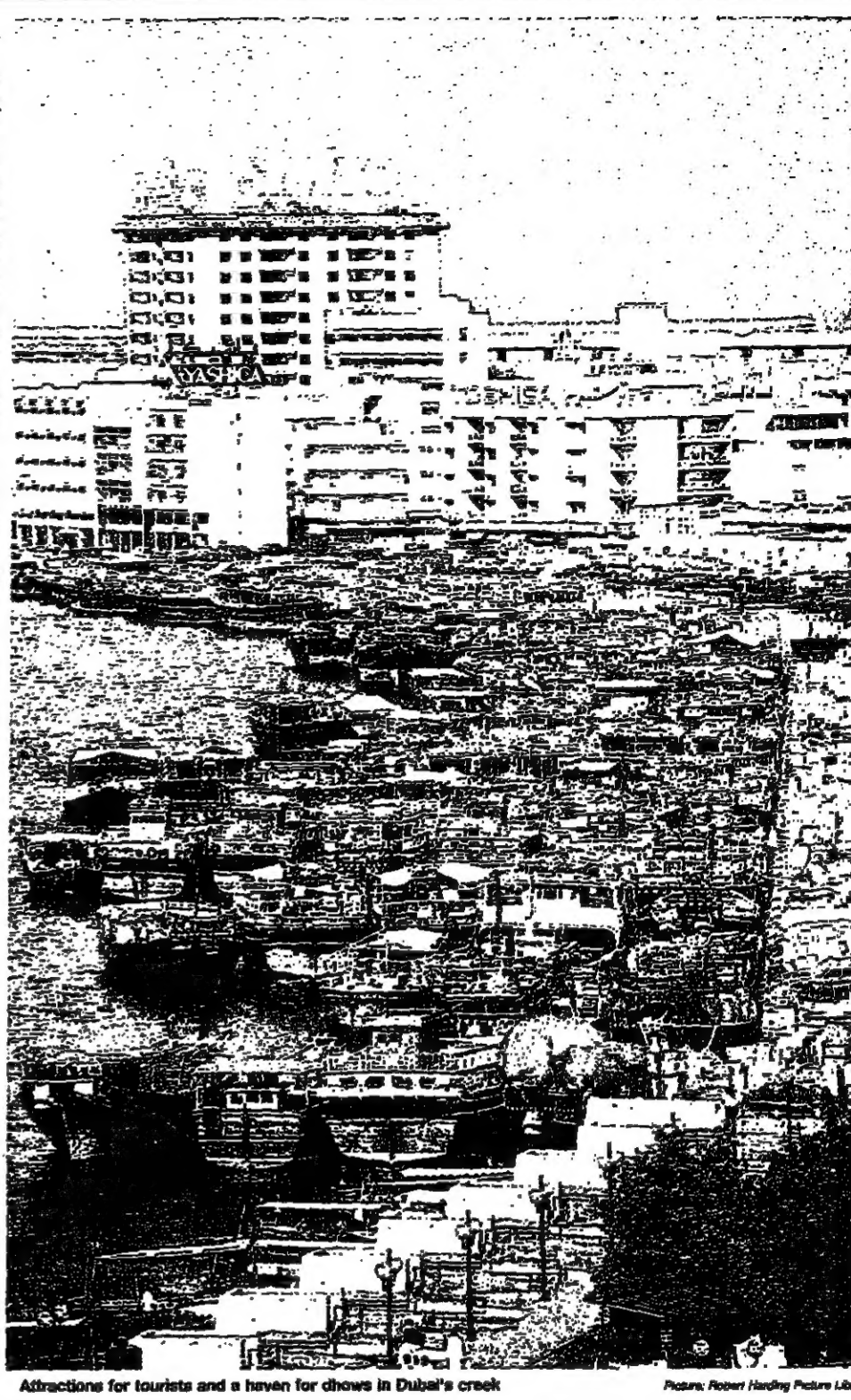
Where tribal leadership falls short - and Dubai is only one small example in the whole of Arabia - is in its inability to decentralise authority, and to make the most of existing opportunities. Industries such as Dubai, a state-owned company, a successful and apparently profitable alternative to Singapore's ship-repair facilities; and Emirates Air, a fast-growing airline, are all in need of capital that public shareholders could provide, but have never even published a balance sheet. They should have been partly privatised long ago.

The UAE as a whole does not yet have a formal stock exchange. Private capital, and not least that belonging to the ruling families themselves, could be harnessed to get with Dubai's sizeable and hugely wealthy business community to create a state of shareholders.

There is indeed scope for the for the UAE - which last year saw such an outflow of private capital that it ran a balance of payments deficit for the first time since federation - to work with the GCC countries as a whole, to create a GCC-wide capital markets.

For day-to-day government, Dubai's ruling family is more than adequate. It is respected and the rulers have their ear to the ground. There are no Islamic pressures of any significance, at least for the time being. And when it comes to relations with Abu Dhabi and the federal authorities, natural evolution suggests that Dubai's autonomy will continue to lessen by degree.

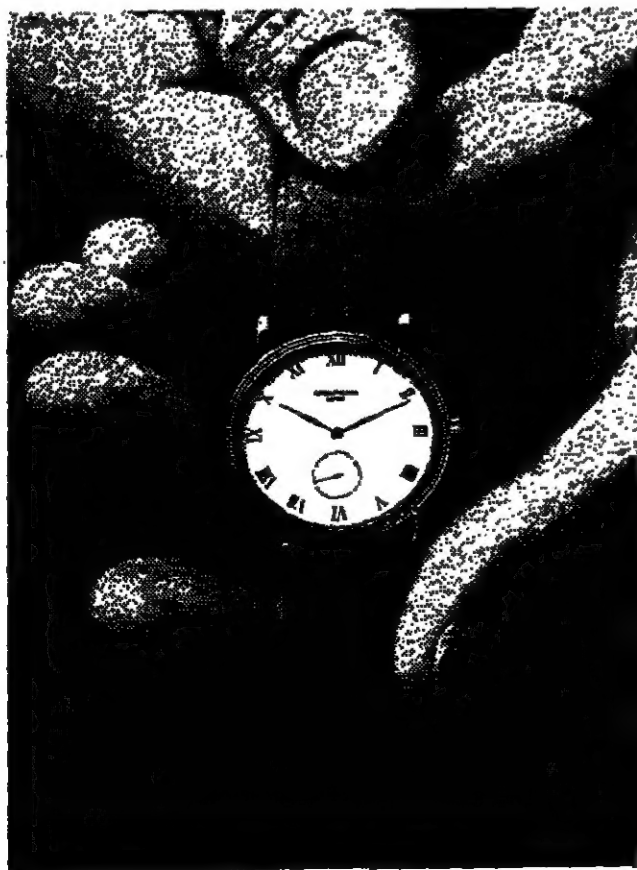
The key long-term challenge for the leadership may be to instill in today's youth the drive and commitment that has characterised the emirate for the past 30 years. Several statements from anxious federal officials suggest that the next generation is not being sufficiently prepared for the day when the Dubai government will not be able to support so many subsidies, or create so many opportunities by a simple expenditure of capital.



Attractions for tourists and a haven for dhows in Dubai's creek

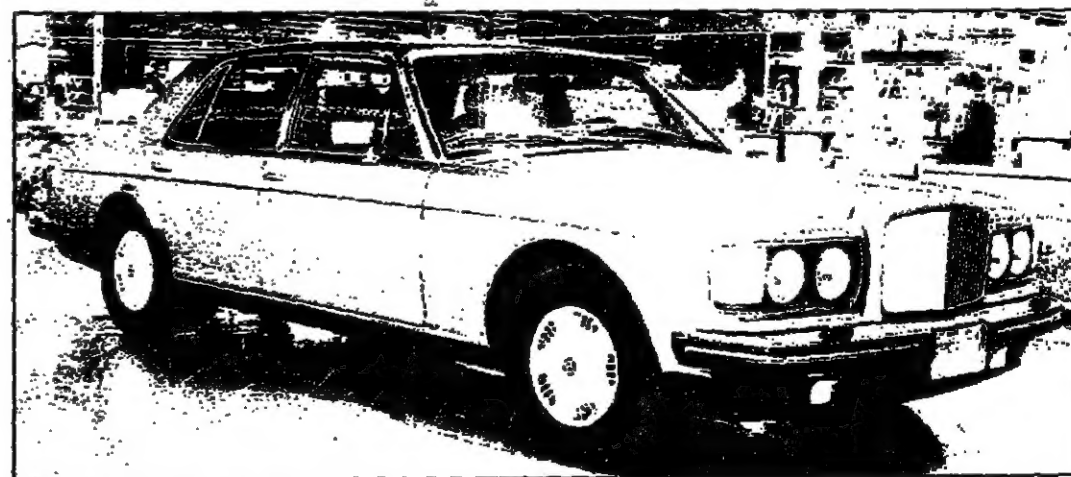
Picture: Robert Harding Picture Library

**A** Patek Philippe is the watch you choose for a lifetime - a choice that assumes a love of quality for its own sake. So it's natural to seek the advice of someone who shares your sense of values. This is why we entrust our watches to horologists who are masters in their field. Their appreciation of a Patek Philippe is based on their understanding - and admiration - of the craftsmanship that goes into its creation. They say a Patek Philippe is the watch-maker's watch. When you ask to be shown a Patek Philippe, you will share the respect horologists have for an object of such rare perfection. A Patek Philippe - because it's for a lifetime.



**PATEK PHILIPPE**  
GENEVE  
*Ahmed Saddiqi & Sons.*  
DUBAI  
Showroom: Tel. 531 772  
Deira Tower: Tel. 237 969

## Dubai Duty Free's Airshow Surprise



Rolls Royce Bentley Brooklands

**Dubai Duty Free continues the excitement of its Finest Surprise at DUBAI '93 INTERNATIONAL AIRSHOW EXHIBITION from 7th - 11th November**

Dubai Duty Free's Finest Surprise now offers all visitors to the Dubai '93 Airshow an opportunity to win five of the world's finest cars - Rolls Royce Bentley Brooklands, Mercedes Benz 500SEC, Ferrari 348 Spider, BMW 850 Ci and a Porsche 928GTS.

For each car, tickets are priced at Dh5 500 (US\$139) and limited to 1,000 purchasers. Each person is allowed to purchase one ticket per car. Tickets will be available for only one car at a time. The draw for each car will be conducted at 5.30pm daily and winning numbers announced and published in the daily press.

The finest collection at the world's most elegant duty free.

For The World's Finest.

Fly Duty Dubai



For Further information please call Dubai (9714) 2062468 or fax (9714) 241455

### CONGRATULATIONS!

DUBAI DUTY FREE'S FINEST SURPRISE WINNERS

**22nd Winner**  
MOHAMMED A W ALQADIR  
Series 9 234 - Ticket 9 0737  
of Riyadh, Saudi Arabia,  
winner of the 500cc silver  
Mercedes Benz 500 SEC.

**23rd Winner**  
WILLIAM LAUREN  
Series 9 234 - Ticket 9 0737  
of UAE, winner of the 500cc silver  
BMW 850 Ci.

**235th Winner**  
T POTWADY  
Series 9 235 - Ticket 9 0734  
of Thailand, winner of the  
wooden metallic Mercedes  
Benz 500 SEC.

**23rd Winner**  
GUY SIBERT  
Series 9 235 - Ticket 9 0734  
of Dubai, UAE, winner of the  
500cc silver BMW 730 Li.

to their camp. ion is also divided, vers of the Social party, the largest ther, are unhappy east constituencies, they share the malists' preference multi-seat system, the former Social- their seats in the , but because they add do less badly rtional representa-

y, Mr Hosokawa water down the yet it through par- Mr Takashi Ino- ssor of politics at vity. The vested it will have to be important because an indication of s in store for the

ills are passed, 'll have to meet in to redraw Japan's maries. They will be how to split the eat constituencies angle seaters and the disproportion- of the rural vote ants for roughly he urban vote - to

ess will take at rths of behind-the- play. If, as seems osokawa is still in , he is expected to nder the new next July, as soon boundaries have

tion's chance of lection after polit- ests on its ability ferences and cam- ngle ticket.

## ting is

stop negotiating and ask the UN impose economic /ang, ant variable right gment on when broken. Seoul believe this rely up to the h Korean foreign

warned that it yprate counter- threatened with ng a military

al to meet Seoul action to the UN s overwhelming resolution on orth Korea to adiate with

## rade ged

urt yesterday by deceiving corpo- reports from

executive of the ments and cheat- \$82m (\$960,000) 22 charges stem- nd art pieces, and the Empress red the board of us fair, billed as m Mr Yeo, who \$800,000.

## rundi

not stand in the s who survived a njumbura. only an element nent," said ien- jokeman. with Ms Sylvie al since soldiers of his ministers. taken refuge at p on October 21. ne out only if an vact them. it powerful Tutsi -vening.

## duced

t in remote East in development sterday, Recter

s from about 20 nt of the Wira in the troubled reduce the num- ved. the capital, Dili, re on a crowd e sympathiser.

## ison

after convicting Reuter reports

the number of ave been killed s between mili-



## DUBAI 2

## THE ECONOMY

## New strategy for a different era

As reflected in trade statistics, Dubai's economy has rarely been so buoyant. The timing could not be better to implement, through the recently-created Economic Department, a strategy to take the emirate into the era - still a long way off - when a self-sustaining economic base will mean Dubai is no longer dependent on oil revenues.

If government aspirations are met, the self-sustaining economic base will rest on three factors: traditional trade, the leisure and business tourist industry; and the continuing growth in the number of companies choosing Dubai as a regional services and light industries centre.

But four essentials must be met if these ambitions are to be realised. First, there has to be regional political stability; secondly, there must exist a coherent and effective legal framework within which all kinds of business can flourish; thirdly, Dubai must have abundant energy supplies at affordable rates; and lastly it must rest comfortably within the

federation even if it retains degrees of autonomy on different issues.

For the past five years, Dubai's non-oil trade - the traditional core of its economy - has been growing at an annual rate of more than 20 per cent, official statistics show. Dubai caters for 70 per cent of the UAE's total trade. Just over half is with Asian countries; almost 30 per cent with Europe. For 1992 alone, imports totalled almost Dh60bn and re-exports almost Dh5bn.

The main entry and re-export points are Port Rashid, a large and extremely efficient container port with an average re-export turnaround time of 24 hours; Jebel Ali, the largest man-made container harbour in the world; the show traffic on Dubai's creek, the waterway

on which it built its reputation as an entrepot; and the air-cargo terminal which has a capacity at present of 250,000 tonnes a year. Greatly expanded over the years and always being improved, they allow Dubai's life-blood to flow.

The funds generated by this

Political stability, of the kind that has existed since the end of the Gulf war, is vital

trade are several times greater - Dh70bn compared with some Dh10bn - than revenue from crude oil and gas. "The funds for all this activity are entirely generated in the market," says Mr Bill Duff, chief financial expert at Dubai's Central

Accounts Office. "They are not subsidised by the government whose oil revenues have to be concentrated on improving the infrastructure to cope with the increase in loads."

Dubai's re-exports are greatly helped by periodic problems in Iran such as the imposition of quotas which limit imports. These may make it more difficult for other traders, but Dubai is near enough and with sufficient experience to give its Iranian community the necessary flexibility to take advantage of them. The Iranians themselves realise Dubai's special role, for when they stipulated that all imports to Tehran and Bandar Abbas should go direct rather than through middle men, Dubai was exempted.

But all this trade, as Mr Duff

points out, is in cash investments "which you have to try to stabilise". So to a very large extent is tourism and the investments made by foreign companies which choose Dubai as the preferred centre from which to service the wider Middle East and West Asia, the Indian sub-continent.

Continuing political stability in the region, of the kind that has existed since the end of the Gulf war, is therefore vital while Dubai finds ways to attract more - and more valuable - investments.

The advent into Dubai of so many companies, particularly in the past 2½ years, has in turn unleashed a property boom in both house construction and rentals. Rentals, some businessmen insist, have risen more sharply than the actual

increase in business turnover and, more importantly, profits. These, however, are cyclical factors. Of greater concern in the longer term is that these markets - houses, service offices, commerce - could decline as rapidly as they came if the right conditions are not established within Dubai to tempt more fixed investment.

The government needs time to expand the infrastructure and the private sector needs time to consolidate the commercial gains of the past few years. Both of these factors are in play partly because the prolonged recession in the west has encouraged more and more companies to venture into the expanding Gulf market. Hence the phenomenal interest in regional exhibitions, including the forthcoming Air Exhibition.

One answer to Dubai's (and the UAE's) need for more fixed investment in non-oil industries is to acquire the high technology industries that come with offset programmes. But as one visiting representative, in Dubai to discuss offset proposals, said: "High technology industries are not like an invention. You cannot create one and then leave it. You need the talent on-the-spot to run it and develop it further."

A source close to the government added: "Technology

transfer and diversification are all fashionable to talk about, but they have to be viable before they set up here because they cannot rely on government subsidies. Common sense and business acumen are Dubai's greatest assets, and these are what we should build

Mr Alabbar has earned the title of 'the government's economic troubleshooter'

Overall strategy for Dubai's economic development for the next decade is with the recently-formed Dubai Government Economic Department and Mr Mohamed Alabbar, its director-general. Although best known to Dubai's business community as the man expected to streamline the process of issuing business and office licences (and the principal target of their complaints when expectations are not immediately met), Mr Alabbar has an awesome task dealing with many other issues, for which he has earned the title of "the government's economic troubleshooter."

He is credited with having turned round the government's property and other investments in Singapore which it inherited from the Dubai entre-

preneur Mr Abdul Wahab Galadari and more recently, with having rationalised the structure at Dubai Aluminium Company, which he continues to direct. But the Economic Department under his direction also has to oversee other government onshore investments; and represent Dubai at meetings of federal committees where all types of draft legislation are discussed, including the extent to which individual emirates retain degrees of autonomy.

However the cure of his responsibilities lies with trying to streamline the licensing process for companies wanting to register or to renew registration. His goal, he says, is to provide companies with their registration certificates within 48 hours of application and requests for information by fax on demand. This is ambitious to say the least given the amount and complexity of forms required, and the need for his staff to undergo "customer service training." But by and large the business community acknowledges that progress has been made.

Mr Alabbar says that a lot of the work that is done is not visible to the business community. His department is involved in continuous federal committee sessions and it is in these where Dubai's voice is heard.

He is quick to point out that many of those who sit on federal committees have been at school together, and that Dubai's relations with other emirates at federal level are fundamental to its economic future.

## DEFENCE

## Facing up to realities

AFTER almost 22 years of federation, Dubai's defence is inextricably bound up not only with that of the United Arab Emirates, but in a wider sense with that of the Gulf Co-operation Council (GCC) too. So defence forces stationed in Dubai are referred to, by virtue of their geographical location at the centre of the federation, as Central Military Command (CMC), even though direct authority over CMC is via a chain of command containing only names from Dubai's ruling family, the Al Maktoum.

CMC's ground forces consist of as many as 15,000 men, out of a total UAE federal army of 50,000, according to the London-based International Institute for Strategic Studies. Up to 80 per cent of CMC is comprised of Omanis from the Bahrah coast in the northern part of the country, and the balance from Dubai.

The ground forces include an armoured regiment equipped with Italian-made Ottomelara tanks of German design with 105mm guns and British Scorpion light-track tanks; two infantry brigades; and an anti-tank regiment plus artillery. The air force includes an air defence regiment and the Air Wing, which has British-made Hawk and Italian Aeromachi fighter-trainers.

CMC's titular commander-in-

chief is Sheikh Ahmed Bin Rashid Al Maktoum, the youngest of the four sons of Sheikh Rashid, Dubai's former ruler and brother of Sheikh Mohammed, the UAE's minister of defence who was recently promoted to full general by Sheikh Zayed, the UAE president and ruler of Abu Dhabi. Sheikh Mohammed is reported to take a very close interest in CMC, as well as exercising financial control.

The two deputy commanders are Sheikh Ahmed Al Mak-

toum and Sheikh Baidi Al Maktoum, brothers who are close relations of Sheikh Maktoum, Dubai's ruler. Both deputy commanders have passed through Britain's officer cadet training college at Mons near Aldershot. Of the two, Sheikh Baidi is the one most frequently referred to as the day-to-day commander of CMC.

All of the other senior officers, NCOs and warrant officers are from Dubai, although there are Egyptian and Sudanese training officers plus a few British, seconded or on contract.

The historical role of a

Dubai army has been to

protect Dubai itself

and the surrounding area.

But today's demands on the

UAE impose their own realities

on CMC, to which it has

responded. During the Gulf

war, CMC was not only a

state of complete readiness,

it also provided a large squad-

ron - some 120 men - for a bat-

talion-size force which the

UAE contributed to the US-led

coalition. This battalion was

engaged at Khafji on the Saudi-

Kuwait border, and took some

casualties. Today, CMC has a

large squadron as part of the

UAE force attached to the UN

forces in Somalia.

Although Abu Dhabi is

thought to bear some of the

cost of maintaining CMC, the

overwhelming charge is to

Dubai's account, and this rep-

resents a significant part of

Dubai's direct contribution to

the UAE federal budget.

The fact that Sheikh Moham-

med, the UAE defence minister,

is from Dubai also gives

CMC a political dimension.

Like other senior figures in

the federation, he is reported to

be a strong supporter for greater

defence co-operation at more

levels, especially where

defence overlaps with political

and diplomatic issues.



Dubai Ports Authority was created in 1981 and by the year-end container traffic had increased 37 per cent. Last year, it was up a further 48 per cent

## HEAVY INDUSTRY

## Quality producers

the entire smelter operation, in readiness for exporting to the EC.

Last July, Dubai Cable Company became the first cable factory in the Middle East to be awarded the ISO 9002 standard, widely used throughout the US, Europe and Japan to ensure manufactured products meet specific high quality standards. The European Community is planning to ensure that all cable imports into Europe meet these standards.

The company says it achieved record sales in 1992 with a 12 per cent increase over 1991. It successfully broke into the Asian market with a \$10m contract from Singapore's Public Utilities Board and last August won another supply contract for low voltage cables from Hong Kong's China Light & Power Company. Mr Neil Chesworth, general manager for sales and marketing, says products can be made in Dubai which are as good as anywhere. The ingredients for success in Dubai's case are a growing market such as the Middle East, a joint venture partner such as the Dubai government which leaves BICC to run the company, and BICC's know-how.

The same "hands-off" policy adopted by the government has also been a winning formula in the case of Dubai Drydocks, the \$400m ship repair complex opened in 1979. It has three graving docks of 350,000dwt, 500,000dwt, and 1,000,000dwt, and for years was regarded as a white elephant because by the time it opened the tanker market involving very large vessels was undergoing one of its very depressed periods. In the 10 years it has been operating, however, it has made a profit every year, according to Mr Ernie Ware, chief executive.

During the Iran-Iraq war, a lot of vessels with minor damage were repaired in Dubai, and once the war was over in August 1988, Dubai Drydocks began seriously the job of building up industries related to the drydocks themselves. It

has attracted several contractors into the industrial estate adjacent to the shipyard.

The number of vessels repaired between March 1992 and February 1993 was 103 with a tonnage of more than 20m. Since the beginning of March this year, 103 vessels have been in for repair with a total tonnage of nearly 18m.

Jebel Ali Free Zone has witnessed the same kind of success. The concept and the scale of Dubai's ambition when the Free Zone Authority was established in February 1985 was greeted with the same kind of scepticism as Dubai Drydocks. But despite the Iran-Iraq war and the 1991 Gulf war - and fears for the region's stability which curbed investor interest - Jebel Ali Free Zone is now benefiting from the scale of the original concept.

It offers a long list of very attractive inducements to potential investors, including a lack of red tape which is a business man's dream compared with the red tape in most neighbouring countries, and it has been vigorous in

promoting itself. By mid-October there were more than 560 companies with licences to operate in the Free Zone. They came from 58 countries and represented an investment of more than \$1bn. Sultan Bin Sulayem, Jafza chairman, said "mega-companies" had been showing considerable interest in applying for special off-shore licences.

He says European companies are beginning to see the wisdom of manufacturing products for sale in Europe, in Dubai rather than in Asia.

There are still obstacles to attracting the kind of manufacturing companies the Free Zone wants. The first has been the conspicuous reluctance of neighbouring countries which are prime re-export targets, particularly Saudi Arabia, to accept that goods made in the free zone with a minimum 40 per cent value-added content by a company owned at least 51 per cent by a GCC national should pass as a locally-produced item, and therefore be liable to a similar low rate of import duty as that payable by any other GCC onshore industry. According to Mr Bin

Sulayem, however, the problem is being resolved.

But the bureaucratic hurdles have been formidable. First, the company concerned has to get a certificate of origin from the UAE Finance and Industry Ministry. Next, the paperwork has to pass through not only the Dubai chamber of commerce - a relatively very straightforward process - but also the GCC secretariat in Riyadh and then it must be approved by the Saudi customs.

Meanwhile, because Dubai sticks to its belief in a free market and refuses to protect its industries, the manufacturer has to compete with manufactured goods from neighbouring countries, including Saudi Arabia, which benefit from high domestic tariffs, cost more to produce but still sell at a profit in their own domestic markets, which enable their owners to dump them in the UAE. The cost disadvantages, frustrations and delays have deterred many a would-be investor.

The other cloud on the horizon is the nagging possibility that Dubai in general could not support a major industrial investment because it could not satisfy long-term power needs. Talks are reported to have taken place, however, with the neighbouring emirate of Sharjah, with Abu Dhabi, Qatar, and Iran.

Nicholas Hills takes a look at business law in Dubai

## A stimulating environment

THE UAE is an interesting business legal environment because of the interface between the federal (UAE) legislation and regulations in force in individual emirates, including, of course, Dubai.

The law is embodied in codified decrees published in either the Federal or individual emirates' Official Gazettes, which then need application and interpretation in the context of an active and established commercial environment.

Businesses in Dubai are required to comply with federal legislation as well as Dubai's own regulations, which are designed to attract responsible and appropriate foreign business to Dubai, which itself has become a significant regional centre.

In 1993, the Dubai govern-

ment has established the Economic Department, which now looks after controls and facilitates the registration of businesses in the Emirate of Dubai (other than in the Jebel Ali Free Zone (JAFZ). The JAFZ has its own individual registration and licensing requirements and operates under its own enabling legislation: an interesting recent development at JAFZ has been the introduction in 1992 of a single-shareholder limited-liability entity known as a Free Zone Establishment (FZE).

While there are considerable

advantages and incentives in setting up in JAFZ, many businesses still opt to require to establish outside JAFZ in Dubai itself.

There are a variety of ways - many not mutually exclusive - in which a foreign business may operate in or into Dubai under the auspices of the Commercial Companies Law, some of whose provisions are at the moment under review, or under the Commercial Agencies Law.

Care and advice needs to be taken over selecting how to establish. Outside JAFZ, with

very few exceptions, some local connection (a sponsor, agent or partner) is required. As a general rule, limited companies established with foreign investment need 61 per cent local participation.

By far the most interesting prospective legal development in the UAE (and in particular in Dubai as a commercial and financial centre) is the imminent introduction of the Commercial Transaction Law, which will need to be considered very closely in parallel with the existing civil law. In the vibrant mercantile

environment of Dubai, the introduction of regulatory commercial legislation will be particularly relevant and, it is expected, beneficial in terms of commercial activity. However, there is bound to be a transitional period while the expected business practices will need to change to conform with the new law.

The new legislation is comprehensive and, although it is similar to commercial legislation in other Gulf states, it has been carefully considered in the context of local requirements. With the recent intro-

duction of intellectual property legislation, the UAE will, with the new Commercial Transactions Law, have a more complete body of business law.

The development of business law and the constant inter-relationship between local and foreign interests, particularly in Dubai (as a regional centre), will continue to provide a challenging and stimulating environment in which there will be an increasing need for sophisticated, but nonetheless practical, legal structuring and documentation.

The author, who has worked in Bahrain, Oman and the UAE, is the resident managing partner of Travers & Hambro's regional office in Dubai. Travers & Hambro is an established London legal practice with offices in Dubai, Abu Dhabi and Oman.

## INTERNATIONAL AEROSPACE EXHIBITION

## Top-ranking regional event

But the immediate interest lies in potential orders for high-technology defence equipment from Saudi Arabia and the Gulf states. Saudi Arabia, Kuwait and Abu Dhabi are expected to spend more than \$30bn over the next seven years, in addition to existing orders, on advanced fighters, helicopters and air defence systems.

A Kuwait Defence Ministry spokesman said on October 5 that the government was still evaluating different options for helicopters, following reports that Kuwait had followed Saudi Arabia and Abu Dhabi in having placed firm orders for the McDonnell Douglas Apache attack helicopters.

Offset agreements, by which the supplier or the supplier government agrees to invest 30 per cent or more of the contract value in the client country, are now a standard part of large

defence contracts. Two factors have caused competition to intensify between traditional western suppliers and companies from the former Soviet bloc countries. The first is the expected decline in defence requirements from Israel and

There is concern about the recent Iranian occupation of UAE Gulf islands

the Arab front-line countries following the signing of the PLO-Israel accord in September. The second is that Saudi Arabia and the Gulf states, whatever the size of their budget deficits, are perceived to be the last remaining countries with significant amounts of cash to spare and obvious high-technology defence needs to

compensate for their small populations and defence establishments. Since the end of the 1990-91 Gulf war which exposed their defence weaknesses, they have all embarked on expensive defence procurement programmes.

The UAE in particular is concerned about the recent Iranian occupation of the UAE Gulf islands of Abu Musa and the Tumb Islands near the Gulf entrance to the Strait of Hormuz. The Gulf states and the western countries with which they have defence agreements have also commented on the Iranian acquisition of two former Soviet diesel submarines at a cost of some \$400m and at a time when Iran is conspicuously strapped for cash.

Iran is reported to have an option on a third submarine. It is also reported to have plans to assemble North Korean-made medium-range

Scud missiles. The Iranian government has denied recent Saudi newspaper reports that it was planning to test-fire the North Korean missiles in the Dasht-e-Lut desert in central Iran.

Russia and other CIS and eastern European countries will be represented by some 40 companies. Russia also intends to put on display the giant Antonov 125 cargo carrier as well as the Mig-29 and the Sukhoi-26 fighters. Russian companies also have a wealth of research and development experience, most of which cannot now be afforded by their own government. Their weakness may be their need for financing.

Among civil airline fleets, the most packaged customer, Saudi Arabia's flag carrier Saudia, has yet to select suppliers to revamp its ageing fleet of some 60 aircraft. Both Boeing and Airbus are vying for the deal. India is expected to spend several hundred million dollars to modernise its air force. Dubai is also expected to expand its airport - where the exhibition is being held. The Dubai government is still examining different options, and it is possible an announcement could be made at the air show.



**Lloyds Bank**

Your banker in the Gulf

For quality corporate and treasury services  
Contact:-

Charles Neil or Richard Stockdale  
Lloyds Bank Plc  
P.O. Box 3766, Dubai.  
Tel: 313005  
Fax: 313026  
Telex: 46450 LBI EM



## BANKING

## New curbs concern foreign banks

IT took just one well-intentioned directive from the UAE central bank to change the complexion of future business opportunities for Dubai's foreign banking community.

Until October 16, there seemed no reason why loan assets, deposits and profits should not have increased over the next 15 months more or less as they had since the beginning of last year - for foreign banks as well as for the five locally-incorporated banks which originate and do most of their business in Dubai.

But the five local banks - in common with the stronger

The bombshell came with the announcement of new rules setting a limit on loans

local banks throughout the Emirates - are not affected by the central bank directive in anything like the same degree as their foreign counterparts.

The bombshell for foreign banks came with the announcement of new rules setting a limit on loans to single borrowers or group of related borrowers at 7 per cent of a bank's capital base. A key clause of the central bank's directive identified a bank's capital base as the same as that used for capital adequacy purposes based on the 1988 ruling of the Basel committee of the Bank for International Settlements. This stipulated that banks worldwide had to have an adequacy of 8 per cent capital relative to risk assets, to ensure they had enough capital to cope with a crisis.

The calculation of total advances to customers is graded according to the type of advance - a straightforward loan counts as a 100 per cent advance while a letter of credit counts for less. The UAE and other Gulf states except Saudi Arabia were listed as high risk countries borrowers. And even though the UAE is claiming average capital adequacy among its banks of 10 per cent - 2 per cent higher than that required by the Basel Committee - it is not, yet, acceptable.

the Basel committee on a par with Saudi Arabia or Organisation for Economic Co-operation and Development countries.

The latest UAE central bank restrictions follow a long list of regulations issued since 1985 when UAE banks paid the price for some poor-quality loan assets, and were either forcibly merged by emirate government decree or bailed out with an injection of fresh capital.

In Dubai - as in Abu Dhabi - the combination of forced mergers and new capital enabled new management, with support from the emirate government, to start plugging back bad debts. Mr Sultan Al-Suwaidi, the UAE central bank governor, probably has more experience of this kind of exercise than all the other UAE bank managing directors. Starting in 1982 with Abu Dhabi Investment Company, Mr Al-Suwaidi went on to manage the Bahrain-based Gulf International Bank which had burned its fingers in Saudi Arabia; and finally to Abu Dhabi Commercial Bank which inherited the problems left over from the three banks from which it was created. Even

without the BCCI fiasco, it would be understandable, as foreign bankers in Dubai are the first to acknowledge, if Mr Al-Suwaidi has a bee in his bonnet about the quality of loan assets.

Ironically for Dubai, a city-state which prides itself on its laissez-faire approach, there now remains only one commercial bank out of five Dubai-registered banks which has no government shareholding. This is the Bank of Oman (renamed MashreqBank on October 1 for reasons of internal strategy. All the others - the National Bank of Dubai, Emirates Bank International (EBI), Middle East Bank (MEB), and Commercial Bank of Dubai - are either owned outright by the government or majority-owned by it. EBI is 80 per cent government-owned, and EBI in turn owns 98 per cent of Middle East Bank.



Al-Jalaf, somewhat sympathetic to the position of the foreign banks

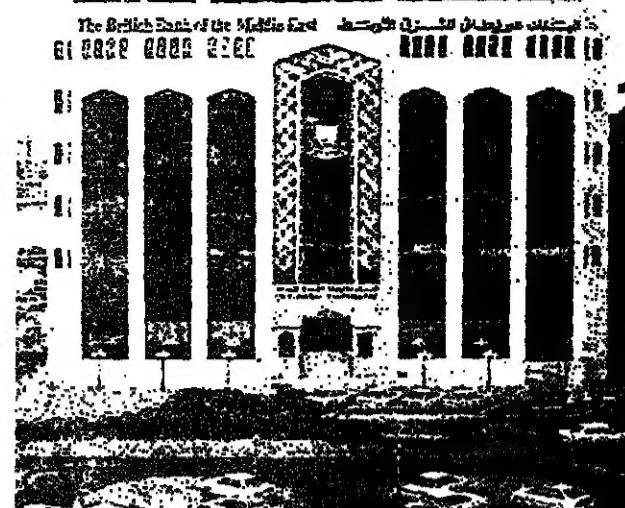
None of these banks will have any serious problem with the central bank circular. Mr Abdulaziz Al-Jalaf, MashreqBank's chief executive officer, pointed out his bank's capital adequacy was 17 per cent. After two years of planned restructuring leading up to the change in name, its 1992 return on assets was 2.1 per cent and 21 per cent on shareholders funds. Its liquidity ratio was also high at 41 per cent. Profits last year exceeded Dh300m, up more than 40 per cent from 1991. Eighty per cent of these derived from its home base, Dubai; the balance from its branches overseas in New York, London, Hong Kong and four other countries.

EBI is itself the result of government intervention in three former local banks which were bailed out between 1983 and 1985. The bank, applying lessons learned from the past, has its own internal credit restrictions which, according to Mr Anis Al-Jalaf, managing director and chief executive officer, confine lending to below central bank limits. However, with shareholders' funds of Dh1.17bn, the 7 per cent limit would still amount to Dh90m.

Mr Al-Jalaf is somewhat sympathetic to the position foreign banks now find themselves in. He says: "UAE national banks abroad can lend according to the capital base of their group and work according to a country limit." He and others interpret the central bank's directive as a warning shot across the bows of smaller, less viable banks to find more capital and merge.

The dilemma for foreign banks is all the more acute in that much of their sizeable exposure is to contractors and traders dealing on a large scale. They require cash facilities, guarantees and letters of credit which can amount to one third or more of the value of a contract. If the credit limitation is not modified, they would have to go to a syndicate of banks rather than to one alone - much more expensive and time-consuming.

One foreign banker's reaction to the central bank circular was blunt: "If the central bank wants to get rid of foreign banks, it is going about it the right way." Business prospects are favourable enough, however, and foreign banks are likely to stay even if between



The new head office of the British Bank of the Middle East in Dubai

now and January 1, when the directive starts coming into force, they do everything they can to get the central bank to amend its directive.

Most of the 13 larger foreign banks have branches or are based in Dubai. Their combined balance sheets for 1992 showed net profits soaring by some 33 per cent over 1991 to almost Dh300m. Loans and deposits were up 11.5 per cent and 12 per cent respectively.

British Bank of the Middle East reported profits up 17 per cent compared with 1991; Standard Chartered up 26 per cent; Citibank almost double the profits of the previous year. Official figures show that loans by foreign banks accounted for more than half their assets; those by local banks at 40 per cent.

If the central bank would accept that foreign banks could use their head office or parent's global capital base as a yardstick, that, said one foreign banker, would solve their immediate problem. Another possible solution is for the bank's head office to increase capital funds allocated to the UAE central bank as an interest-free deposit. If neither of these two is acceptable to the

## ENERGY

## Alternative sources needed

Comoco-DPC lifts and markets the crude; Dubai sets the price. It also markets four or five cargoes a month, each containing some 50m barrels, so that when traded the government knows what price DPC should also be getting. Dubai treats crude oil as just another commodity, with the sole purpose being to maximise value. The approximate published price for mid-October was \$15.23 a barrel. Dubai gets its revenue from taxes and royalties levied on DPC.

Since last April, a pilot scheme has operated to inject 100m cu ft a day of gas to enhance recovery. Signs are that the scheme is proving positive and that recoverable crude reserves are greater than originally foreseen. The injection scheme is due to run until 2008.

Associated gas is also piped to

Dubai Natural Gas Company's processing plant at Jebel Ali. Most of the liquids - butane, propane, and condensate - are separated and shipped to Japanese buyers. Some of the liquid gas goes to Dubai's own products company, Emirates Petroleum Prod-

Most of Dubai's energy requirements are met by the emirate of Sharjah

ucts Company, which operates its own petrol stations.

A \$2bn refinery with a capacity of 250,000 b/d - almost all of which would be for export - at Jebel Ali is still being considered. Potential markets are in India, east Asia and the east coast of Africa. Such a refinery would also enable Dubai to be self-suf-

ficient in petroleum products - or at least less dependent on Abu Dhabi - even allowing for the anticipated surge in demand. Some of the dry gas - about 130m cu ft a day - is used by Dugas itself; some goes to power generators at Dubai's aluminium smelter and to Dubai city.

The onshore gas and condensate field operated at Margham by Atlantic Richfield produces some 35,000 b/d of condensate and can produce 400m cu ft a day of gas. This is all rejected to maintain reservoir pressure except when, in high summer, Dubai itself needs extra gas supplies for generators. In this case up to 150m cu ft a day is available.

Most of Dubai's energy requirements are met by the neighbouring emirate of Sharjah where the Saja gas and condensate field is operated

by Amoco. Under an agreement signed in May 1985, Dubai receives 140m-350m cu ft a day depending on seasonal demand in Dubai. For this it is thought to have paid something less than \$1.25 per million cubic feet. Amoco has recently found more gas and condensate. Other, smaller, gas supplies reach Dubai from Sharjah's offshore Mubarak field.

Dubai's energy needs last summer averaged 315m cu ft a day, with the annual average being about 230m cu ft a day. But energy demand is rising almost 20 per cent a year and one estimate puts Dubai's summer consumption in the next few years at 500m cu ft a day if present growth rates are maintained.

For the time being, this demand can be met from existing sources, but the narrow spread of suppliers is causing concern. Added to which, gas from Saja and Margham may not last more than 10-15 years.

Dubai has to find other sources of energy. Sporadic talks have been held for some time with Abu Dhabi, Qatar and Iran, but no agreements have yet been reached.

The deadline for reporting large exposure is March 31 next year

central bank then one banker suggested larger loans would go onto the books of off-shore banks, away from UAE shores.

The deadline for reporting large exposure is March 31 next year, but extensions can be granted until the end of 1995. If the UAE economy in general, and Dubai's in particular, remain buoyant, it is more than likely that foreign banks will stay for a slice of the business.

## One group. Ten companies.

And a thousand ways to touch your life.



Welcome to the world of the Al Rostamani Group of Companies. A conglomerate so diversified, it touches almost all aspects of your life. From distributorship of Nissan vehicles to trading of general merchandise, refrigeration and automotive products. From participating in massive turn-key projects to locating supply sources for business development activities. From construction and contracting, real estate management, tour and travel and foreign exchange participation, going all the way to investment banking, insurance and aviation.

Al Rostamani Group of Companies, working for you in all walks of life, and expanding everyday to serve you better.

- ▲ Arabian Automobiles Co. ▲ General Impex Co. ▲ United Diesel Co. ▲
- ▲ Central Trading Co. ▲ Federal Building Industries ▲ Thomas Cook Holidays ▲
- ▲ Thomas Cook Al Rostamani Exchange Co. ▲ Thomas Cook Al Rostamani P. Ltd. ▲
- ▲ Al Rostamani Real Estate Co. ▲ Destinations of the World ▲

P.O. Box 261 Dubai, United Arab Emirates  
Tlx: 45484 MARWAN EM - Fax: 231450 - Tel: 283166, 238998, 226222

Now now  
Emirates Emirates  
fly fly  
from from  
Heathrow Heathrow  
to to  
Dubai Dubai

From Sunday 31st October Emirates Airline will depart from Terminal 3, Heathrow for Dubai twice daily at 13:45 and 20:45. Contact your local travel agent for details or phone Emirates reservations on 071-930 3711 or 061-457 9097. For voyage, voyage.

Emirates  
Fly us once, fly us always.

s to their camp. ion is also divided. ers of the Social party, the largest tier, are unhappy eat constituencies. they share the alists' preference uli-seat system, the former Social their seats in the but because they uld do less badly rtional representa-

y, Mr Hosokawa water down the get it through par- Mr Takashi Ino- ssor of politics at rity. The vested it will have to be important because an indication of s in store for the

ills are passed, ill have to meet in to redraw Japan's ndaries. They will e how to split the eat constituencies iple seats and the disproportion of the rural vote nts for roughly he urban vote - to

ess will take at ths of behind-the- play. If, as seems sokawa is still in , he is expected to on under the new next July, as soon boundaries have tion's chance of action after polit- ists on its ability Terences and cam- angle ticket.

ting  
IS

stop negotiating and ask the UN impose economic /ang. ant variable right gment on when e broken. Seoul believe this rely up to the h Korean foreign

warned that it opriate counter- threatened, with ng a military al to meet Seoul action to the UN s overwhelming resolution on North Korea to edately with

rade  
ged

nurt yesterday by a deactivating corper reports from

executive of the ments and cheat- \$82m (\$880,000) 22 charges stem- and art pieces. and the Express ined the board of as fair, billed as om Mr Yeo, who \$8600,000.

## rundi

not stand in the s who survived a Bujumbura. only an element ment," said iJeu- pokeman. r with Ms Sylvie ial since soldiers of his ministers. taken refuge at p on October 21. me out only if an rotest them. it powerful Tutusi rvening.

## duced

ft in remote East in development yesterday, Racter

is from about 20 nt of the Wira / in the troubled reduce the num- ved. the capital. Dil, tre on a crowd e sympathiser.

## ison

after convicting Reuter reports

the number of ave been killed s between mili-



## DUBAI 4

## TOURISM

## Focus on 'quality' sectors

BARELY 10 days after the departure of thousands of businessmen expected at Dubai's International Aerospace Exhibition next week, thousands of a different kind of visitor are scheduled to pour into Dubai from India, Pakistan, Saudi Arabia and other Gulf states to hear pop star Michael Jackson at a sell-out concert in a local soccer stadium.

Such is the magnetic pull of Dubai and its government-sponsored promotional organisations - notably the Dubai Commerce and Tourism Promotion Board, the Dubai National Air Travel Agency, and the travel management division of Emirates, Dubai's airline.

Attendances at both exhibition and concert are almost certain to be inflated thanks to the timely decision last month by the Dubai government to open the emirate for short vis-

its to white-collar residents of all Gulf Co-operation Council countries regardless of nationality. Previously only citizens of GCC countries - Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia - had been allowed into Dubai without a visit or transit visa provided by a Dubai-based sponsor.

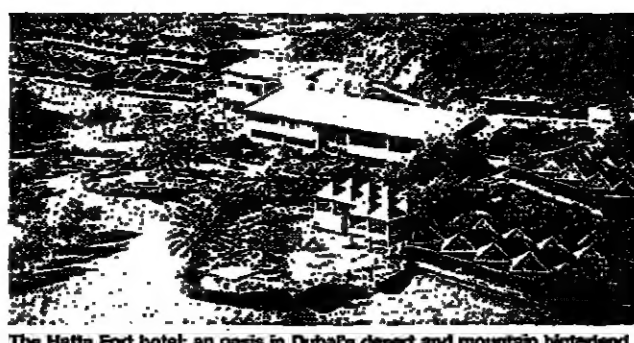
Dubai's success in selling itself as a tourist and conference-exhibition centre is reflected in the aggregate figures for local hotel occupancies. These show the total number of visitors - business and tourist - increasing by 50 per cent between 1990 and 1992, despite the temporary but dramatic fall-off caused by the Gulf war.

The majority of these visitors are staying in deluxe or first-class hotels, but the biggest proportional increase in the same period - more than 250 per cent - have been visi-

tors at the lower-income end of the market.

Dubai's Promotion Board now maintains offices in seven countries for North America, Europe, Hong Kong and Japan. An example of its success is that Dubai now features on the books of 38 German tour operators alone. The general manager of Frankfurt-based Air-tours said in September there had been a steady increase in the German demand for holidays to the Emirates. But the reasons he gave - "very high standards of quality, service, and security" - apply to all the countries where Dubai has made a visible impact on both the summer and winter tourist markets. And because Dubai is a cosmopolitan city, language is not a problem for any visitor, regardless of nationality.

Russians and citizens of other former Soviet republics are a fairly recent addition to



The Hatta Fort hotel: an oasis in Dubai's desert and mountain hinterland.

Dubai's tourist market. They descend by the plane on Dubai and neighbouring emirates, not wearing uniforms, but selling them - along with medals, Russian dolls and other paraphernalia. Dubai's traders welcome them. They barter the Russian goods for television sets, radios and all kinds of consumer durables.

Those who have seen the Russians' departure say there is not a square inch of aircraft aisle or emergency exit which is not packed to the ceiling with man and metal for the home market.

Many of Dubai's existing five-star hotels are expanding. The luxury Jebel Ali hotel could be adding 100 rooms to

## Profile of Dubai's tourism, by purpose of visit

January - June 1993

Occupation of Leisure Visitors (sample size: 1578)

Others 25%

Employment 25%

Occupation of Business Visitors (sample size: 8240)

Others 10%

Employment 10%

Business men / women 30%

Professional, technical 25%

Administration and managerial 25%

Professional, technical 25%

Administration and managerial 25%

Source: Dubai Commerce and Tourism Promotion Board, Visitor Information System

But the icing on the cake for Dubai's leisure market must surely be the three all-grass golf courses, and their related facilities. Emirates Golf Club, opened in 1988, is the home to the PGA Desert Classic. Dubai Creek Golf & Yacht Club, completed only last November, has a flood-lit three-hole course and driving range in addition to its 18-hole course. The newest of all, Dubai Golf & Racing Club at Nad Al Sheba on the desert outskirts of Dubai city, has a nine-hole flood-lit course next to the racetrack and paddock.

Dubai Racing Club, which owns and manages the race course will have its first full season this winter. It is internationally recognised, which means pedigrees of owners appear in catalogues every where and jockeys registered in Dubai can race anywhere.

Thoroughbreds trained in Dubai are now entering - and being placed - in races in Europe. And Dubai Racing Club's facilities for club members and sponsors, including hospitality boxes, make facilities at Europe's traditional race courses seem very inadequate by comparison.

## PROFILE: EMIRATES

## 'Upstart' airline has cause to celebrate

"WHAT are they doing in Dubai?" a senior official at the Gulf Co-operation Council secretariat in Riyadh asked in October 1985, shortly after Emirates Airline had made its maiden flight to Bombay.

The question was put with more than a hint of exasperation, and the inference was clear: that Dubai, through its upstart airline, was in some undefined way breaking ranks within the UAE - and by extension with its GCC partners - by injecting an unwanted element of competition among Gulf Arab states confronted with the Iran-Iraq war.

After all, the misconception was widespread that it was the UAE as a whole, and not just Abu Dhabi, which was one of four shareholders in Gulf Air - then, as now, the main regional rival to Emirates. So what business did Dubai have in starting another airline - its own - when there were enough airlines to go around?

Last month, the "upstart" airline celebrated its eighth anniversary by implementing a marketing agreement with United Airlines, one of the three biggest US carriers. In a further move to expand its international network, this now directly spans 30 destinations in 24 countries. And far from undermining the GCC, Dubai's airline has brought more and new business into the region, and competitors have been forced to improve their own services to keep up.

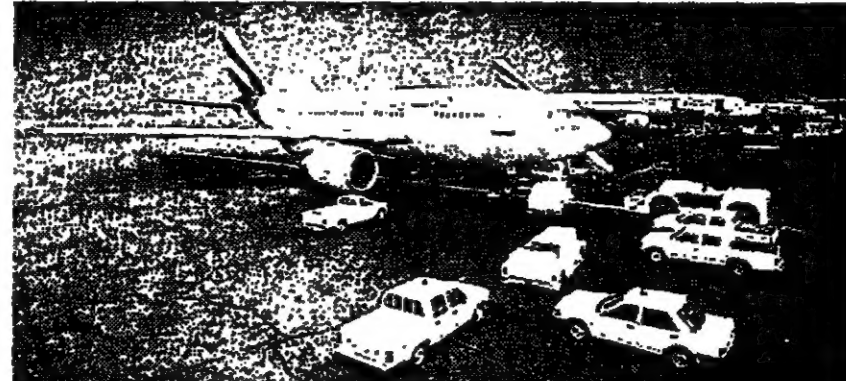
The marketing alliance with United, in effect a code-sharing agreement, means that the two airlines can use each other's flight identification code to book passen-

gers in computer reservations systems. The logic of the arrangement is that Emirates' network, which has focused on the Middle East, the Indian sub-continent and Asia, can now dovetail with United's transatlantic and US domestic routes.

To link with United, Emirates now has two daily flights to London's Heathrow, which replace a previous service to Gatwick. Emirates has never received subsidies from the Dubai government, which continues to insist on an open-skies policy and looks with equal favour on the 61 airlines which now fly into the emirate. The government does not regulate fares.

Emirates' start-up capital was used to buy two second-hand Boeing 727s from Dubai's Air Wing. Emirates shares head office premises with Dubai National Air Travel Agency to which it pays a cross-charge for rental. "That is all Emirates ever received in government investments or grants," according to Mr Dermot Mannion, the airline's corporate treasurer. And Emirates gets no guarantees from the government when negotiating bank financing for new aircraft leases or acquisitions.

In the western context of the distinction between the private sector and the public-state sector, Emirates is an anomaly, for it



Emirates' Airbus fleet: Last month, the airline implemented a marketing deal with United Airlines.

is simultaneously in both of these. In common with all seven emirates forming the UAE, as well as with other member countries of the GCC, the Dubai government is "private", consisting of the ruling family and, lower down, its nominees and officials. In this sense Dubai Inc is a private company. At the same time it is very much the State.

The airline is thus the private sector commercial extension of the government and its campaign to promote the emirate

of Dubai, as part of the UAE, as the predominant regional business centre and transit point between Europe and Asia. Not for nothing is the airline's chairman, Sheikh Ahmed Bin Said Al Maktoum, a member of the ruling family, also chairman of Dubai's Commerce and Tourism Promotion Board, an autonomous government agency, as well as president of Dubai's Department of Civil Aviation.

But to finance the leasing of its fleet of 13 aircraft, the airline has had to rely on

its own resources and return on capital. The fleet consists of eight Airbus A310-300s, and five A300-600Rs. The average age of aircraft in the fleet, including the two original 727s, is less than 3½ years.

The airline releases figures on a selective basis only to institutions involved in loan negotiations. But according to the *Journal Airline Business* last April, Emirates, based on fleet size, a 1992 kilometre total of 5,530m and a load factor of nearly 70 per cent, had 1992 revenues of between \$400m and \$450m.

The airline has been profitable for six out of its seven full financial years, according to Mr Mannion. In the period April 1992 - April 1993 capacity increased 54 per cent and six new routes were added.

All of its fleet of 13 Airbus have been financed by commercial bank borrowings, including the first-ever Islamic lease - for one Airbus - arranged by Saudi Arabia's Al Rajhi Banking and Investment Corporation. To do this, Al Rajhi set up a special purpose company which owns the aircraft until the expiry of the lease, at which time Emirates has an option to buy the aircraft. Western commercial bank arrangements also allow for the banks to own the aircraft until the revenue is generated which pays off the loan plus the interest.

There is, says Mr Mannion, a pool of liquidity available in Islamic banks. The only hurdle has been regional investors' reluctance to commit liquidity for as long as 10-15 years instead of the five to seven years they prefer.

Al Rajhi is one of the institutions Emirates is approaching to finance the purchase of seven Boeing 777s which are on order and due for delivery starting in March 1996. The airline also has an option on a further seven 777s. Discussions have already started with Eximbank over airframe financing and with Britain's Export Credits Guarantee Department over a \$600m contract which Emirates signed last July for 35 Rolls-Royce Trent engines.

After the steady expansion of its fleet and new routes since the beginning of last year, the airline could be looking for a period to build up its cash reserves in advance of the delivery of the 777s, and to continue to streamline some of its existing routes.

For example, Rome, a recent addition as a stop-over point to Zurich, is now a stand-alone destination, drawing both tourists and businessmen to Dubai. On existing routes, flights to Hong Kong and Singapore now leave daily, while the frequency to Manchester has been increased.

Emirates generates 60 per cent of total traffic movements through Dubai's international airport. Renovation and modernisation plans have been on the books since 1988 when Bechtel prepared the first studies. The Dubai government is considering, but has not yet decided, on the scale of the proposed redevelopment.

DON'T  
CRACK  
UNDER  
PRESSURE

TAG Heuer watches: resistance, precision and endurance - qualities found in those who thrive on pressure. The Sports Elegance chronograph with 1/10-second accuracy, split time function, and double protection screw-in crown is water-resistant to 200 meters. It features a unidirectional turning bezel and scratch-resistant sapphire crystal.

**TAG HEUER**

TAG HEUER  
SWISS MADE SINCE 1860



Ahmed Seddigi & Sons.

Showrooms: Souq Murshidi Tel: 267489, Dubai Side Tel: 531772  
Delta Tower Tel: 237969, Al Manar Center Tel: 211668, Jumeira Plaza Tel: 444569

Make the right connections in Dubai  
- the business centre of the Middle East.

When it comes to selecting a base for your regional headquarters, Dubai is the logical choice. The city has become the region's leading centre for trade, transport and distribution, industry, conferences and exhibitions. For good reason. Dubai encourages enterprise.

the-art telecommunications system puts you in instant touch with the world. 60 international airlines link Dubai with over 100 cities worldwide. And the city boasts sophisticated banking, finance and other services, as well as world class office accommodation.

taxation in Dubai. The UAE Dirham is freely convertible. Red tape is kept to a minimum. Dubai's strategic location gives you a time zone bridge between the Far East and Europe. And the lifestyle is great too.

A state-of-the-art telecommunications system puts you in instant touch with the world. 60 international airlines link Dubai with over 100 cities worldwide. And the city boasts sophisticated banking, finance and other services, as well as world class office accommodation.

What's more, there is no taxation in Dubai. The UAE Dirham is freely convertible. Red tape is kept to a minimum. Dubai's strategic location gives you a time zone bridge between the Far East and Europe. And the lifestyle is great too.

So make the right connections.

**Decide on Dubai.**

For more information on Dubai, please contact: Dubai Commerce and Tourism Promotion Board  
34 Buckingham Palace Road, London SW1W 0RE. Tel: (071) 828-8961. Fax: (071) 828-4971. Tlx: 895578 INRAIT C